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How the 1,041 largest U.S. public companies in 49 major U.S. industrial groups compare in profitability, growth and market performance on the FORBES Yardsticks, and what lies ahead for them in 1981.

Features

Inflation indexing: economic alcoholism
Everyone knows a hangover lurks after every binge. "The only antidote," the late W.C. Fields used to say, "is alcohol." The spread of indexing through our inflation-drunk economy is much the same thing. Trying to avoid a cold-turkey headache, we are setting ourselves up for cirrhosis of the liver. 37

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Money And Investments

The Economy: A Painful Year Coming Up
If you're looking for a repeat of what happened late last summer—a quick cresting in interest rates followed by a sharp drop—forget it. The year 1981 is going to be painful, with punishing interest rates probably until at least late summer. Any way you look at it, it is going to be a rough year for the economy. The wise businessman will be prepared. 299

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The Forbes Yardsticks: 1980

How to use them

THE FORBES 33RD ANNUAL REPORT ON AMERICAN INDUSTRY measures management performance of 1,041 big public companies, most with latest fiscal year sales of at least $350 million.

The FORBES Yardsticks size up these companies in several ways. We measure their profitability in terms of return on stockholders' equity and on total capital. We measure their growth in both earnings per share and sales. For current trends we track these figures for the latest 12 months, while for a longer view we look at them over the past five years. We also measure their debt-to-equity ratios, net profit margins and stock market performance.

Using all these measures, we compare each of the 1,041 companies against competitors in its own industry and against all 1,040 other companies. Finally, we compare median numbers for the major industry groups against each other. There are substantially more major industry groups this year—49, compared with 31 last year. Many industries are further divided into subgroups to give a clearer picture of how each company stacks up against its real competitors.

To locate a company, refer to the table that begins on the next page: "Where to find the company." It lists the 1,041 companies alphabetically and gives the page where the story related to its industry begins and the appropriate Yardsticks tables appear. You will also find in the alphabetical listing how that company ranks in terms of profitability, growth and stock market performance.

Where to find the Yardsticks

Industry median rankings, page 257
Profitability rankings, page 260
Growth rankings, page 269
Stock market rankings, page 278

How they are calculated

Return on stockholders' equity Companies obtain their capital from two sources: stockholders and creditors. Return on stockholders' equity is the percentage return on the stockholders' portion of the capital. We express earnings per common share (primary basis) as a percentage of the stockholders' equity per share, assuming conversion of all convertible preferred, at the start of the year. The five-year return in our Yardsticks tables is the average of the returns calculated for the four years 1976 through 1979 and the 12-month period ending with the most recent quarterly report. (For companies whose fiscal years end in January, February or March, the years 1977-80 are used in place of 1976-79.)

Return on total capital This figure is the percentage return on a combination of stockholders' equity (both common and preferred) plus capital from long-term debt including current maturities, minority stockholders' equity in consolidated subsidiaries and accumulated deferred taxes and investment tax credits. The profit figure used in this computation is the sum of net income, minority interest in net income and estimated aftertax interest paid on long-term debt—in other words, income before charges (which means, primarily, interest payments on long-term debt) relating to the nonequity portion of the capital.

The return on total capital is a "basic" measure of an enterprise's profitability. For companies that derive all of their capital from common equity, the two profitability measures will of course be identical. But a company that employs debt wisely can thereby boost its return on stockholders' equity well above the return on total capital. The time periods employed for this calculation are the same as those for return on stockholders' equity.

Debt-to-equity ratio This ratio tells us to what extent management is using borrowed funds (leverage) in an attempt to increase profits. It is calculated as of the end of the last reported fiscal year by dividing long-term debt (including current maturities) by the sum of stockholders' equity, minority stockholders' interest and accumulated deferred taxes and investment tax credits. A high debt-to-equity ratio makes earnings more volatile and is usually considered prudent only in relatively stable industries.

Net profit margin This measure gives a view of profits different from either the return on stockholders' equity or the return on total capital. Calculated by dividing net profits for the latest 12 months by net sales, it reveals what percentage of each dollar of revenue is available for payment of dividends and reinvestment in the business.

Earnings-per-share growth To present a clear picture and even out short-run distortions caused by very poor or very good years, we reach back over ten years to measure five-year earnings-per-share growth. Using primary earnings per share, we take the average for the most recent five years (1976 through the latest 12 months) and compute the percentage change from the average for the preceding five years (1971 through 1975). We then express that change in terms of a five-year compound annual rate of growth, since the midpoints of the two periods are five years apart.

Sales growth As with earnings growth, we go back ten years to calculate the five-year rate of sales growth. We compare average sales for the company's most recent five years against the average for the preceding five years, and express the change in terms of a five-year compound annual growth rate.

Where to find the company

	Rank			
Company	Profitability	Growth	Stock market	Industry survey page
Abbott Laboratories	177	181	312	130
ACF Industries	586	562	486	152
Acme-Cleveland	726	264	185	148
Aetna Life & Casualty	217	180	351	127
H F Ahmanson	558	360	411	106
Air Prods & Chems	264	211	573	198
Akzona	976	956	990	198
Albertson's	137	226	499	230
Alcan Aluminium	316	103	187	84
Alco Standard	252	277	316	156
Alexander & Alexander	10	166	437	112
Alexander & Baldwin	727	807	396	213
Alexander's	963	812	399	246
Alleghany	644	397	129	159
Allegheny Ludlum Inds	757	695	307	192
Allegheny Power	830	891	948	217
Allen Group	643	359	314	73
Allied Chemical	842	802	489	198
Allied Products	997	974	596	156
Allied Stores	667	494	848	246
Allied Supermarkets	1034	1004	1001	230
Allied Van Lines	901	849	551	213
Allis-Chalmers	741	76	264	159
Alcoa	431	135	518	84
AM International	991	927	452	252
AMAX	617	607	620	239
Amdahl	145	966	492	250
Amerace	711	839	704	148
Amerada Hess	212	371	61	76
American Airlines	913	**	754	144
American Bakeries	901	**	616	206
American Brands	307	512	426	97, 159
Amer Broadcasting	141	100	335	255
American Can	765	331	825	242
American Cyanamid	707	822	703	187, 198
American Elec Power	814	903	933	217
American Express	236	303	817	112
American Family	80	255	747	127
American Financial	70	87	**	112
American General	308	214	286	127
American Greetings	573	608	651	227
Amer Hoist & Derrick	583	535	419	152
American Home Products	27	542	890	244
Amer Hospital Supply	523	360	565	130, 232
American Intl Group	103	172	478	127
Amer Maize-Products	886	869	635	206
Amer Medical Intl	453	212	15	130
American Motors	1015	979	929	71
American Natl Ins	684	298	448	127
Amer Natl Resources	624	834	571	209
American Petrofina	499	735	436	76
American Standard	126	6	163	156, 234
American Stores	200	142	659	248
American Tel & Tel	709	667	829	140, 225
AmeriTrust	808	708	695	118
Ametek	204	388	254	148
AMF	676	889	762	156, 227
Amfac	850	888	404	156
AMP	67	206	409	138
Ampex	587	**	69	140
Amstar	738	856	564	206
Amsted Industries	202	184	218	152
Anchor Hocking	667	635	715	242
Anderson, Clayton	782	485	680	223
Anheuser-Busch Cos	500	661	928	216
ARA Services	699	722	986	248
Arcata	666	19	304	253
Archer Daniels Midland	344	205	460	223
Arden Group	1005	**	476	230
Arizona Public Service	647	812	792	217
Ark Louisiana Gas	334	618	201	209
Armco	745	616	374	190
Armstrong Rubber	975	936	670	73
Armstrong World Inds	858	774	998	234
Arvin Industries	297	144	623	73
ASARCO	785	703	186	239
Ashland Oil	32	115	220	76
Associated Dry Goods	909	895	978	246
Athlone Industries	524	574	285	192
Atlanta Gas Light	811	770	729	209
Atlantic Richfield	286	153	232	76
A-T-O	661	445	308	156
Auto Data Processing	183	215	452	252
Avco	146	12	73	112, 156
Avery International	656	492	942	148
Avnet	227	351	115	140
Avon Products	29	586	799	187, 248
Avondale Mills	958	921	791	200
Bache Group	848	431	154	103
Baker International	138	102	172	152
Baldwin-United	122	248	119	112
Ball Corp	541	426	618	242
Bally Manufacturing	125	157	47	227
Baltimore Gas & Elec	817	860	820	217
BanCal Tri-State	827	398	457	118
BancOhio	904	866	758	118
Bangor Punta	329	**	62	156
Bank of New York	732	808	726	118
BankAmerica	351	412	731	118
Bankers Trust N Y	748	749	466	118
Barnes Group	298	237	250	73
Bausch & Lomb	208	156	159	130
Baxter Travenol Labs	406	213	724	130
Beatrice Foods	410	608	938	206
Beckman Instruments	532	176	238	140
Becton, Dickinson	580	507	716	130
Belco Petroleum	160	185	50	76
Bell & Howell	987	964	415	252
Bemis	825	611	428	242
Bendix	476	394	524	73, 159
Beneficial Corp	737	864	746	112, 248
Bergen Brunswig	862	18	171	232
Berkshire Hathaway	551	88	29	127, 156
Best Products	42	20	207	248
Bethlehem Steel	988	970	880	190
Big Three Industries	319	167	309	148
Big V Supermarkets	149	93	161	230
Bird & Son	653	865	994	234
Black & Decker	452	436	901	86
Blount	174	280	130	203
Blue Bell	97	106	577	200
Boeing	135	26	48	135
Boise Cascade	672	4	556	234, 241
Borden	705	584	834	206
Borg-Warner	635	409	378	73, 159
Borman's	972	**	546	230
Boston Edison	889	900	886	217
Braniff Intl	1012	979	999	144
Briggs & Stratton	133	536	779	148
Bristol-Myers	169	478	663	244

Profitability: 5-year return on equity. **Growth:** 5-year compounded annual earnings-per-share growth.
Stock market: 5-year price change. **Not ranked.

Where to find the company

	Rank			
Company	Profitability	Growth	Stock market	Industry survey page
Brockway Glass	837	754	841	242
Brooklyn Union Gas	681	761	699	209
Brown-Forman Dist	420	356	139	216
Brown Group	590	573	456	200, 248
Browning-Ferris Inds	587	542	141	148
Bruno's	84	84	40	230
Brunswick	852	847	657	156, 227
Bucyrus-Erie	329	262	689	152
Bunker Ramo	762	11	33	140
Burlington Inds	915	783	956	200
Burlington Northern	946	143	165	92
Burroughs	571	427	1003	250
Business Men's Assur	460	44	204	127
Butler Manufacturing	441	581	469	234
Cabot	211	53	30	198
Caesars World	690	112	4	227
Cal-Maine Foods	943	733	760	232
Caldor	85	159	168	246
Cameron Iron Works	180	138	56	152
Campbell Soup	512	640	840	206
Campbell Taggart	340	460	638	206
Cannon Mills	906	569	459	200
Capital Cities Commun	181	173	258	253
Capital Holding	646	554	900	127
Carnation	373	501	908	206
Carolina Pwr & Lt	784	858	878	217
Carpenter Technology	354	244	146	192
Carson Pirie Scott	716	379	401	246
Carter Hawley Hale	703	795	902	246
Castle & Cooke	850	779	737	206
Caterpillar Tractor	247	473	665	71, 152
CBI Industries	225	534	345	148
CBS	152	412	765	255
Ceco	920	928	676	234
Celanese	754	363	702	198
Centex	118	104	100	203
Central & South West	610	803	965	217
Central Illinois Lt	871	917	937	217
Central Ill Pub Svc	765	886	916	217
Central Louisiana Engy	188	336	85	209
Central Soya	734	751	784	223
Central Steel & Wire	664	552	281	192
Central Tel & Utils	392	648	718	225
Certain-teed	721	613	844	234
Cessna Aircraft	402	416	292	135
CFS Continental	896	881	989	232
Champion Intl	512	620	646	234, 241
Champion Spark Plug	563	861	963	73
Charter	8	32	81	76
Chase Manhattan	821	800	570	118
Chemical New York	754	730	666	118
Chesebrough-Pond's	237	525	797	187
Chic & North Western	65	231	12	92
Chic Pneumatic Tool	942	943	918	148
Chromalloy American	397	650	323	156
Chrysler	1030	979	974	71
Chubb	290	222	796	127
Cincinnati G & E	712	855	925	217
Cincinnati Milacron	267	34	20	148
Circle K	199	317	124	230
Citicorp	474	564	971	118
Cities Service	617	449	149	76
Citizens & Southern NB	949	947	662	118
City Investing	483	309	197	156
City Stores	1031	1004	386	246

	Rank			
Company	Profitability	Growth	Stock market	Industry survey page
Clark Equipment	515	590	671	71, 152
Clark Oil & Refining	51	48	90	76
Cleveland Elec Illum	708	868	920	217
Clorox	275	727	875	86
Cluett, Peabody	870	195	685	200
CNA Financial	162	**	240	127
Coastal Corp	**	637	**	76
Coca-Cola	141	558	952	216
Coca-Cola Bottling NY	964	953	836	232
Colgate-Palmolive	619	785	1013	86, 187
Collins & Aikman	787	792	961	200
Colonial Penn Group	104	344	1011	127
Colt Industries	325	382	290	192
Columbia Gas System	705	794	507	209
Columbia Pictures	4	**	53	227
Combined Internatnl	184	513	501	127
Combustion Engnrng	218	235	128	148
Commercial Metals	786	896	272	239
Commonwealth Edison	882	907	995	217
Commonwealth Oil Rfg	1016	979	1017	76
Computer Sciences	11	**	131	252
ConAgra	56	9	75	223
Cone Mills	338	118	392	200
Connecticut General	414	388	581	127
Conoco	222	253	339	76
Consolidated Edison	805	594	591	217
Consolidated Foods	496	580	748	206
Consol Freightways	165	243	628	213
Consol Natural Gas	661	571	375	209
Consolidated Papers	243	161	280	241
Consumers Power	782	765	861	217
Continental Airlines	951	131	540	144
Continental Corp	522	327	750	127
Continental Group	685	487	692	242
Continental Illinois	474	541	532	118
Continental Tel	623	789	736	225
Control Data	908	376	164	112, 250
Cook United	973	1	283	246
Cooper Industries	107	114	103	148
Adolph Coors	703	711	949	216
Copeland	218	424	328	138
Copperweld	652	826	717	192
Corning Glass Works	511	330	530	140, 159
CPC International	288	470	572	206
Crane	417	611	376	159, 192
Crocker National	493	510	523	118
Cross & Trecker	**	68	**	148
Crouse-Hinds	178	276	125	138
Crown Central Petroleum	69	35	43	76
Crown Cork & Seal	433	354	475	242
Crown Zellerbach	752	734	551	241
Crum & Forster	174	204	343	127
CSX	**	767	**	92
Culbro	1018	979	982	97
Cullum Companies	300	96	41	230
Cummins Engine	546	219	601	73
Curtice-Burns	324	483	508	206
Curtiss-Wright	803	125	298	159
Cyclops	953	748	329	192
Dan River	890	41	365	200
Dana	285	346	753	73
Dart & Kraft	**	540	**	206
Data General	150	62	417	250
Dayco	477	546	512	156
Dayton Power & Light	869	916	976	217

Profitability: 5-year return on equity. **Growth:** 5-year compounded annual earnings-per-share growth.
Stock market: 5-year price change. **Not ranked.

Where to find the company

	Rank			
Company	**Profitability**	**Growth**	**Stock market**	**Industry survey page**
Dayton-Hudson	119	92	519	246
Dean Foods	194	90	86	206
Dean Witter Reynolds	582	718	270	103
Deere	412	517	481	71
DEKALB AgResearch	392	423	586	223
Delmarva Power & Lt	825	887	849	217
Delta Air Lines	428	475	560	144
Deluxe Check Printers	67	320	416	253
Dennison Mfg	468	472	319	148
Denny's	189	192	835	227
DeSoto	660	238	356	234
Detroit Edison	895	882	881	217
DETROITBANK	669	665	633	118
Dexter	258	197	169	198
Diamond Intl	771	857	768	242
Diamond Shamrock	159	398	648	198
Dibrell Brothers	734	588	439	223
Di Giorgio	900	462	288	206, 232
Digital Equipment	350	65	402	250
Dillard Dept Stores	890	821	853	246
Dillingham	903	577	362	159
Dillon Companies	114	267	855	230
Walt Disney	712	321	801	227
R R Donnelley & Sons	541	465	509	253
Dorchester Gas	38	67	63	76
Dorsey	655	268	227	242
Dover	88	225	107	234
Dow Chemical	206	524	945	198
Dow Jones	38	437	352	253
DPF	319	**	612	206
Dravo	661	582	305	203
Dresser Industries	252	250	230	152
Duke Power	688	692	887	217
Dun & Bradstreet	78	497	410	253
E I du Pont	467	593	793	198
Duquesne Light	893	945	955	217
Dynalectron	927	836	92	203
E-Systems	181	132	80	135
Eagle-Picher Inds	441	560	557	148
Earth Resources	45	111	118	76
Easco	583	793	828	73
Eastern Air Lines	860	**	391	144
Eastern Gas & Fuel	696	738	450	76
Eastman Kodak	278	689	972	227
Eaton	433	565	607	73
Echlin Manufacturing	325	522	719	73
Jack Eckerd	281	295	642	248
Economics Laboratory	384	421	874	86
Edison Bros Stores	111	208	491	248
EG&G	82	126	58	140
El Paso	855	940	398	209
Electronic Data Syst	170	739	277	252
Emerson Electric	213	459	734	138
Emery Air Freight	16	467	981	144
Emhart	374	354	514	148
Empire	503	311	21	76
Engelhard Minerals	31	113	98	239
ENSERCH	465	741	196	209
Entex	55	94	228	209
Envirotech	994	972	833	148
Equifax	300	852	742	253
Equitable of Iowa	791	501	626	127
Esmark	818	835	490	159, 223
Ethyl	366	602	430	198
Evans Products	298	28	143	234

	Rank			
Company	**Profitability**	**Growth**	**Stock market**	**Industry survey page**
Ex-Cell-O	614	273	255	148
Exxon	351	631	433	76
Fairchild Industries	90	30	17	135
Farm House Foods	220	250	151	232
Farmers Group	197	260	602	127
Fed-Mart	1006	978	1010	246
Federal Co	439	284	350	206
Federal Express	**	5	**	144
Federal-Mogul	277	117	226	73
Fedl Natl Mortgage	674	837	934	112
Federal Paper Board	677	743	340	241
Federated Dept Stores	564	647	1008	246
Ferro	480	649	590	198
Fidelcor	984	971	939	118
Fieldcrest Mills	481	240	502	200
Firestone	1000	975	1020	73
First Bank System	546	637	850	118
First Boston	598	833	444	103
First Charter Finl	644	491	619	106
First Chicago	862	842	898	118
First City Bancorp	454	476	384	118
First Intl Bshs	375	488	611	118
First Natl Boston	794	745	621	118
First Natl Supermkts	694	922	**	230
First Pennsylvania	1007	979	1027	118
First Wisconsin	877	747	567	118
Fischbach	642	804	690	203
Fisher Foods	962	963	954	230
Fisher Scientific	595	147	180	148
Fleetwood Enterprises	768	778	1000	227
Fleming Companies	369	578	443	232
Flickinger	552	501	495	232
Florida Power	717	806	818	217
Florida Power & Lt	717	771	810	217
Flowers Industries	255	349	216	206
Fluor	108	82	88	203
FMC	649	529	594	159
Food Fair	1032	979	979	230
Food Town Stores	17	54	122	230
Foodarama Supermkts	948	**	853	230
Ford Motor	809	714	984	71
Foremost-McKesson	415	666	342	232
Fort Howard Paper	89	207	414	241
Foster Wheeler	147	119	23	148
Foxboro	552	189	241	148
Franklin Mint	305	703	950	227
Frederick & Herrud	750	893	362	223
Freeport Minerals	261	414	74	198
Frontier Airlines	155	149	173	144
Fruehauf	525	455	649	71
Fuqua Industries	348	70	223	156
GAF	989	967	800	159
Gannett	223	304	554	253
Garfinckel Brooks Bros	633	699	604	246
Gas Service	843	843	843	209
Gates Learjet	130	199	31	135
GATX	881	902	545	152
GEICO	63	**	644	127
Gelco	102	57	97	213
General Cinema	262	357	318	227
General Dynamics	504	272	91	135
General Electric	237	545	674	86, 138, 159
General Foods	364	454	775	206
General Host	965	969	519	223
General Instrument	444	50	19	140

Profitability: 5-year return on equity. **Growth:** 5-year compounded annual earnings-per-share growth.
Stock market: 5-year price change. **Not ranked.

Where to find the company

	Rank			
Company	Profitability	Growth	Stock market	Industry survey page
General Mills	322	406	905	206
General Motors	426	736	930	71
General Public Utils	919	933	1028	217
General Re	153	139	622	127
General Refractories	1004	979	732	148
General Signal	468	290	234	148
General Tel & Elec	585	719	766	140, 225
Genl Tire & Rubber	841	766	650	73, 159
Genesco	1022	1004	764	200, 248
Genuine Parts	208	377	735	73
Georgia-Pacific	345	476	809	234, 241
Geosource	143	109	101	152
Gerber Products	506	660	776	206
Getty Oil	413	245	297	76
Giant Food	510	536	471	230
Gibraltar Financial	639	357	259	106
Gifford-Hill	648	592	210	234
Gillette	380	823	891	187
Gino's	974	962	872	227
Girard	760	746	641	118
GK Technologies	405	386	134	140
Godfrey	531	510	284	230
Goldblatt Brothers	1021	979	947	246
Golden West Finl	101	198	195	106
B F Goodrich	955	756	627	73
Goodyear	912	894	922	73
Gordon Jewelry	483	326	559	248
Gould	491	526	655	138
W R Grace	639	741	330	156, 198
W W Grainger	251	286	589	138
Graniteville	899	879	823	200
Gray Drug Stores	857	768	574	248
Great Atl & Pac Tea	1014	1004	1014	230
Gt Northern Nekoosa	534	444	423	241
Gt Western Financial	569	336	400	106
Greyhound	673	811	739	213, 223
Grumman	701	**	371	135
Gulf & Western Inds	278	307	636	156
Gulf Oil	631	650	349	76
Gulf Resources & Chem	871	939	510	239
Gulf States Utils	756	867	893	217
Gulf United	565	713	287	127
Halliburton	144	146	217	203
Hammermill Paper	823	584	543	241
Handy & Harman	202	301	38	239
Hanna Mining	677	643	968	192
Hannaford Bros	456	605	539	230
Hanover Insurance	173	154	39	127
Harcourt Brace Jovan	530	672	647	253
Hardee's Food Systems	242	58	175	227
Harnischfeger	914	911	778	152
Harris Bankcorp	856	814	867	118
Harris Corp	256	78	68	140, 148
Harsco	380	453	403	148
Hart Schaffner & Marx	898	688	537	200
Hartfield-Zodys	596	**	660	246
Harvey Hubbell	430	636	455	138
Heck's	294	274	300	246
G Heileman Brewing	44	85	36	216
H J Heinz	497	319	677	206
Walter E Heller Intl	630	753	951	112
Hercules	639	687	899	198
Hershey Foods	325	416	701	206
Heublein	454	663	992	216
Hewlett-Packard	306	200	422	140, 250
Hilton Hotels	148	90	96	227
Edward Hines Lumber	945	884	580	234
Hobart	538	725	866	148
Holiday Inns	814	716	500	227
Holly Corp	70	59	42	76
Honeywell	656	439	253	140, 250
Hoover	752	790	599	86
Hoover Universal	155	316	497	73
George A Hormel	489	443	431	223
Hospital Corp of Am	303	186	65	130
Host International	232	231	515	227
Household Finance	558	706	782	112, 246
Houston Industries	577	696	741	217
Houston Natural Gas	66	110	324	209
Houston Oil & Minerals	5	27	72	76
Howell	13	152	380	76
Hughes Tool	343	164	235	152
Humana	136	63	6	130
E F Hutton Group	91	165	77	103
Hyster	206	105	183	71, 152
IC Industries	888	498	438	92, 156
Ideal Basic Inds	349	402	372	234
Idle Wild Foods	240	287	246	223
Illinois Power	715	872	987	217
Illinois Tool Works	333	479	668	148
Imperial Corp of Am	463	260	269	106
INA	506	410	531	127
Inco	907	946	864	239
Indianapolis Pwr & Lt	575	796	804	217
Ingersoll-Rand	598	782	744	148
Inland Steel	905	877	946	190
Insilco	417	531	236	86
Intel	41	40	184	140
Interco	552	662	697	200
Interlake	934	908	723	192
IBM	164	498	691	250
Intl Flavors & Frag	129	329	865	187
Intl Harvester	918	717	693	71
Intl Minerals & Chem	226	364	348	198
Intl Multifoods	687	681	606	206
International Paper	533	549	958	241
Intl Tel & Tel	839	830	624	156
InterNorth	282	384	296	209
Interpace	740	494	579	234
Interpublic Group	134	230	192	253
Iowa Beef Processors	215	246	99	223
Irving Bank	659	583	446	118
IU International	**	121	**	156
James River Corp Va	61	79	191	241
Jefferson-Pilot	616	531	860	127
Jewel Companies	736	714	569	230
Jim Walter	500	654	913	234
Johns-Manville	816	685	770	234
Johnson & Johnson	280	440	746	130
Johnson Controls	263	171	240	148
Jonathan Logan	1017	979	879	200
Earle M Jorgensen	369	445	245	192
Joy Manufacturing	537	379	503	152
K mart	312	308	1007	246
Kaiser Alum & Chem	448	192	493	84
Kaiser Steel	897	786	656	190
Kane-Miller	978	955	927	206
Kaneb Services	87	335	189	76
Kansas City Pwr & Lt	874	885	907	217
Kansas Power & Light	680	815	819	217

Profitability: 5-year return on equity. **Growth:** 5-year compounded annual earnings-per-share growth.
Stock market: 5-year price change. **Not ranked.

Where to find the company

	Rank			
Company	Profitability	Growth	Stock market	Industry survey page
Kaufman & Broad	790	75	458	203
Kay	59	14	13	223
Kellogg	57	405	868	206
Kellwood	760	750	856	200
Kelly Services	54	127	66	252
Kemper	127	116	197	127
Kennecott	986	961	808	238
Kentucky Utilities	910	930	935	217
Kerr Glass Mfg	738	281	881	242
Kerr-McGee	605	601	698	76
Keystone Consolidated	1008	979	996	192
Keystone Foods	92	178	242	223
Kidde	558	494	325	156
Kimberly-Clark	283	203	634	187, 241
King Kullen Grocery	929	684	505	230
Kings Dept Stores	339	566	846	246
Knight-Ridder News	417	299	423	253
Knudsen	792	754	513	206
Koppers	494	520	474	159
Kroger	580	291	334	230
Kuhn's-Big K Stores	956	954	1016	246
Laclede Gas	681	764	777	209
Lane Bryant	794	825	598	248
Lear Siegler	124	66	76	140, 156
Leaseway Transportation	128	388	435	213
Levi Strauss	18	45	147	200
Levitz Furniture	577	367	562	248
Libbey-Owens-Ford	700	828	760	73
Liberty Natl Life	714	650	919	127
Eli Lilly	190	551	745	244
Lincoln National	690	492	592	127
Liquid Air of No Amer	519	567	673	198
Litton Industries	836	21	18	156
Lockheed	105	699	155	135
Loews	132	107	179	97, 227
Lone Star Industries	566	448	303	234
Long Island Lighting	653	853	847	217
Longs Drug Stores	166	342	871	248
Longview Fibre	423	631	289	242
Louisiana Land	79	644	310	76
Louisiana-Pacific	401	507	322	234, 241
Louisville Gas & Elec	861	899	926	217
M Lowenstein	995	950	709	200
Lowe's Companies	296	549	973	232
LTV	796	331	452	156, 190
Lubrizol	75	325	468	198
Lucky Stores	112	570	811	230
Lukens Steel	929	831	645	192
Macmillan	1010	979	231	253
R H Macy	447	264	315	246
Magic Chef	834	455	652	86
Mallinckrodt	269	282	752	198
Malone & Hyde	259	392	504	232
Manhattan Industries	1013	979	465	200
Manufacturers Hanover	587	645	805	118
Manufacturers National	649	683	637	118
MAPCO	60	249	700	76
Marathon Oil	293	328	178	76
Marine Midland Banks	959	944	576	118
Marley	235	145	364	148
Marriott	546	238	377	227
Marsh & McLennan Cos	24	345	780	112
Marsh Supermarkets	435	310	317	230
Marshall Field	949	934	985	246
Martin Marietta	399	339	144	159

	Rank			
Company	Profitability	Growth	Stock market	Industry survey page
Maryland Cup	571	323	274	242
Masco	110	224	625	234
Masonite	552	597	608	234
Massey-Ferguson	1023	979	1029	71
Mattel	123	**	153	227
May Dept Stores	636	599	932	246
Oscar Mayer	603	724	821	223
Maytag	62	628	870	86
MCA	186	217	388	227
McCormick	490	481	710	206
McDermott	471	559	393	203
McDonald's	109	173	940	227
McDonnell Douglas	679	720	261	135
McDonough	446	514	237	200
McGraw-Edison	612	518	533	138
McGraw-Hill	249	266	229	253
McLean Trucking	733	876	1009	213
McLouth Steel	1011	979	1024	192
Mead	224	183	361	241
Mellon National	806	675	713	118
Melville	53	209	405	200, 248
Memorex	151	**	470	250
Mercantile Bancorp	594	757	756	118
Mercantile Stores	600	640	988	246
Mercantile Texas	294	396	366	118
Merck	86	519	730	244
Meredith	369	29	111	253
Merrill Lynch	515	639	291	103
Metromedia	40	55	51	255
Fred Meyer	450	394	278	230
MGM Grand Hotels	130	101	**	227
Michigan National	440	533	568	118
Middle South Utils	771	871	911	217
Midland-Ross	457	254	279	148
Milton Bradley	245	216	123	227
Minnesota Gas	508	729	774	209
Minn Mining & Mfg	166	461	769	159
Mission Insurance	23	46	32	127
Missouri Pacific	74	282	158	92
Mitchell Enrgy & Dev	14	63	3	76
Mobil	354	441	212	76
Modern Merchandising	260	242	563	248
Mohasco	969	942	1004	86
Monfort of Colorado	1020	979	924	223
Monsanto	695	769	876	198
Montana Power	877	918	787	217
Moore Corp	334	676	970	252
Moore McCormack Res	397	220	282	213
J P Morgan	520	622	903	118
Morrison-Knudsen	472	236	52	203
Morse Shoe	291	99	160	248
Morton-Norwich	821	797	385	244
Motorola	481	365	440	140
Munford	993	973	895	230
G C Murphy	957	915	839	246
Murphy Oil	379	375	27	76
Nabisco	283	521	683	206
Nalco Chemical	94	322	544	198
Nash Finch	468	627	759	232
Nashua	391	352	301	252
National Can	686	659	369	242
National City	462	624	712	118
Natl Convenience Strs	138	129	82	230
Natl Detroit	721	677	606	118
National Distillers	698	604	496	159, 216

Profitability: 5-year return on equity. **Growth:** 5-year compounded annual earnings-per-share growth.
Stock market: 5-year price change. **Not ranked.

Where to find the company

	Rank			
Company	Profitability	Growth	Stock market	Industry survey page
National Fuel Gas	859	832	675	209
National Gypsum	632	457	432	234
National Kinney	1029	979	757	156
Natl Medical Entrprs	389	160	5	130
Natl Semiconductor	160	120	549	140
National Svc Inds	318	586	381	156
National-Standard	852	732	743	192
National Steel	947	890	953	190
National Tea	996	1004	707	230
Nationwide	844	482	265	127
Natomas	96	80	35	76, 213
NCNB	629	679	667	118
NCR	329	36	243	250
New England Electric	729	787	755	217
New England G & E	627	726	738	217
N Y State Elec & Gas	742	809	858	217
New York Times	486	488	266	253
Newmont Mining	569	780	331	239
Niagara Frontier Services	115	201	610	230
Niagara Mohawk Power	844	878	857	217
NICOR	485	698	449	209
A C Nielsen	252	381	555	253
NL Industries	779	759	79	159
NLT	800	620	678	127
NN	233	71	37	127
Norfolk & Western Ry	721	275	412	92
Norris Industries	275	468	311	234
North American Coal	411	278	336	76
North Amer Philips	566	408	483	140
Northeast Utilities	883	920	897	217
No Indiana Pub Svc	862	924	990	209
No States Power	717	845	904	217
Northern Trust	829	762	785	118
Northrop	106	74	113	135
Northwest Airlines	926	737	721	144
Northwest Bancorp	517	547	727	118
Northwest Energy	390	590	190	209
Northwest Industries	240	250	373	156
Northwestern Steel	796	901	912	192
Norton	465	331	162	148
Norton Simon	591	695	914	206
Nucor	25	73	14	192
NVF	607	653	71	192, 238
Occidental Petroleum	50	128	306	76
Ogden	353	418	224	156
Ohio Casualty	93	221	484	127
Ohio Edison	849	918	943	217
Oklahoma Gas & Elec	839	910	1002	217
Oklahoma Natural Gas	192	300	275	209
Old Republic Intl	20	49	394	127
Olin	818	69	672	159
Olympia Brewing	917	630	1005	216
Outboard Marine	928	941	1022	227
Outlet	803	671	181	255
Owens-Corning Fbrgls	332	229	631	234
Owens-Illinois	811	619	795	242
Pabst Brewing	953	937	964	216
PACCAR	99	151	262	71
Pac Gamble Robinson	787	838	936	232
Pacific Gas & Elec	824	873	816	217
Pacific Lighting	800	763	706	209
Pacific Pwr & Lt	781	869	794	217
Pacific Resources	195	133	116	76
Paine Webber	558	367	157	103
Pamida	970	958	826	246

	Rank			
Company	Profitability	Growth	Stock market	Industry survey page
Pan Am World Airways	959	**	827	144
Panhandle Eastern	328	567	203	209
Parker Drilling	100	89	22	203
Parker-Hannifin	362	490	337	148
Parker Pen	77	98	106	227
Parsons	36	81	24	203
Pay Less Drug NW	246	285	293	248
Pay'n Save	367	340	802	248
Peabody Intl	600	400	209	148
Peavey	721	775	472	223
Penn Central	**	**	**	156
Penn-Dixie Inds	1024	979	993	234
Penn Traffic	477	421	516	230
PennCorp Financial	787	302	145	127
J C Penney	777	760	1021	246
Pa Power & Light	748	862	885	217
Pennwalt	620	447	798	198
Pennzoil	52	218	135	76
Peoples Drug Stores	626	234	214	248
Peoples Energy	521	690	355	209
PepsiCo	179	343	781	216
Perini	922	278	132	203
Perkin-Elmer	424	293	219	140
Petrie Stores	47	257	863	248
Petrolane	113	247	112	76
Pettibone	751	515	488	152
Pfizer	363	608	522	244
Phelps Dodge	961	948	767	238
Phila Electric	884	906	894	217
Philadelphia Natl	767	800	684	118
Philip Morris	140	241	525	97
Phillips Petroleum	185	202	389	76
Phillips-Van Heusen	966	788	609	200
Piedmont Aviation	154	263	102	144
Pillsbury	431	378	824	206
Pioneer	28	130	121	209
Pioneer Hi-Bred Intl	97	190	302	223
Pitney Bowes	257	77	320	252
Pittsburgh National	615	642	584	118
Pittston	656	904	869	76
Playboy Enterprises	944	925	108	253
Pneumo	549	31	167	230
Polaroid	876	615	884	227
H K Porter	605	97	332	148
Portland Genl Llec	931	949	944	217
Potlatch	495	374	542	241
Potomac Elec Power	813	817	763	217
PPG Industries	596	485	350	159, 234
Procter & Gamble	268	548	906	86, 187
Provident Life & Acc	314	312	485	127
Public Service Colo	894	931	921	217
Public Service Indiana	527	702	959	217
Pub Svc Elec & Gas	806	839	803	217
Pueblo International	992	979	546	230
Purex Industries	534	691	815	86
Purolator	674	892	790	73
Quaker Oats	449	407	772	206
Quaker State Oil	607	851	583	76
Questor	982	932	473	73
Rainier Bancorp	534	365	464	118
Ralston Purina	416	516	977	206
Ramada Inns	939	898	397	227
Rapid-American	696	**	138	200, 246
Rath Packing	1033	1004	639	223
Raychem	558	150	273	138

Profitability: 5-year return on equity. **Growth:** 5-year compounded annual earnings-per-share growth.
Stock market: 5-year price change. **Not ranked.

Where to find the company

Rank					Rank				
Company	Profitability	Growth	Stock market	Industry survey page	Company	Profitability	Growth	Stock market	Industry survey page
Raymond Intl	347	148	225	203	Sears Roebuck	775	780	1015	112, 246
Raytheon	157	170	133	135, 140, 156	Seatrain Lines	1026	1004	505	213
RCA	365	134	527	112, 159, 255	Seaway Food Town	422	338	423	230
Reeves Brothers	577	334	360	200	Security Pacific	517	393	383	118
Reichhold Chemicals	941	929	751	198	SEDCO	575	542	78	203
Reliance Group	1	**	25	112	Service Merchandise	22	33	208	248
Republic Airlines	776	817	268	144	Shaklee	9	38	84	130
Republic Finl Svcs	243	353	174	127	Shearson Loeb Rhoades	19	17	7	103
Republic Natl Life	461	432	49	127	Shell Oil	377	313	117	76
Republic New York	231	427	110	118	Sheller-Globe	779	863	997	73
Republic of Texas	426	435	558	118	Sherwin-Williams	979	959	720	234
Republic Steel	968	904	830	190	Shopwell	980	401	156	230
Resorts Intl	12	8	1	227	Sigmor	269	523	120	76
Revco D S	196	191	441	248	Signal Companies	545	256	95	71, 156
Revere Copper	831	**	462	238	Signode	492	556	658	148
Revlon	176	295	681	187	Singer	932	**	629	86, 156
Rexnord	392	373	451	148	Skyline	833	935	910	227
R J Reynolds Inds	230	657	588	97	A O Smith	877	124	528	73
Reynolds Metals	681	187	541	84	Smith International	198	169	166	152
Richardson-Merrell	557	633	587	244	SmithKline	21	155	105	244
Riegel Textile	541	297	528	200	Snap-On Tools	83	228	632	73
Rite Aid	210	179	395	248	Sonoco Products	392	315	498	242
RLC	37	2	57	213	So Carolina E & G	773	859	877	217
Roadway Express	168	430	838	213	Southeast Banking	810	817	534	118
Robertshaw Controls	880	723	605	138	Southern Calif Edison	770	777	694	217
H H Robertson	633	578	408	234	Southern Company	866	909	931	217
A H Robins	438	697	873	244	So Natural Resources	316	483	247	209
Rochester Gas & Elec	852	829	832	217	So New England Tel	838	771	814	225
Rockwell Intl	486	617	199	135, 156	Southern Pacific	952	758	614	92
Rohm & Haas	886	854	852	198	Southern Railway	692	500	538	92
Rohr Industries	998	979	276	135	Southern Union	361	705	354	209
Rollins	187	506	463	159	Southland	479	402	722	230
Roper Corp	777	288	617	86	Southwest Forest Inds	729	434	221	234, 241
Rose's Stores	727	318	407	246	Southwestern Pub Svc	292	701	845	217
Royal Crown Cos	538	843	962	216	Sperry	556	433	593	159, 250
Ruddick	593	51	205	230	Sperry & Hutchinson	873	880	346	159
Ryan Homes	266	530	664	203	Springs Mills	935	474	582	200
Ryder System	162	43	182	213	Square D	115	528	585	138
Safeco	248	136	615	127	Squibb	528	728	923	244
Safeway Stores	624	810	975	230	A E Staley Mfg	512	557	367	223
Saga	701	771	783	248	Stanadyne	399	595	344	148
St Joe Minerals	525	823	420	76, 239	Standard Brands	473	693	967	206
St Louis-San Fran Ry	925	451	127	92	Standard Oil Calif	358	471	206	76
St Paul Companies	158	222	711	127	Standard Oil Indiana	315	391	170	76
St Regis Paper	743	731	807	241	Standard Oil Ohio	30	39	114	76
Sambo's Restaurants	1028	979	1023	227	Stanley Works	502	452	327	86
San Diego Gas & Elec	834	873	748	217	Stauffer Chemical	309	420	788	198
Santa Fe Industries	868	458	239	92	Sterling Drug	464	784	686	244
Santa Fe Intl	304	177	64	203	J P Stevens	910	347	725	200
Savannah Foods	990	968	553	223	Stewart-Warner	609	654	561	148
Savin	7	7	176	252	Stokely-Van Camp	937	850	687	206
Saxon Industries	967	805	406	242	Stone Container	509	576	390	242
Schering-Plough	121	462	966	244	Stop & Shop	768	709	892	230
Jos Schlitz Brewing	999	976	1018	216	Storage Technology	49	25	28	250
Schlumberger	26	56	94	140	Strawbridge & Clothier	874	682	688	246
SCM	800	196	358	156	Subaru of America	2	10	9	71
SCOA Industries	48	15	89	200, 248	Suburban Propane Gas	497	598	368	76
Scot Lad Foods	1003	979	831	232	Sun Chemical	119	24	87	198
Scott & Fetzer	239	602	679	156	Sun Company	265	314	177	76
Scott Paper	818	562	613	86, 241	Sunbeam	688	657	862	86
Scovill	383	52	654	86	Sundstrand	200	122	67	148
Seaboard Allied Milling	568	271	251	223	Super Food Services	540	527	461	232
Seafirst	486	501	595	118	Super Valu Stores	58	140	126	232
Seagram	847	626	357	216	Superior Oil	33	162	55	76
G D Searle	651	923	566	130	Supermarkets General	273	168	244	230

Profitability: 5-year return on equity. **Growth:** 5-year compounded annual earnings-per-share growth.
Stock market: 5-year price change. **Not ranked.

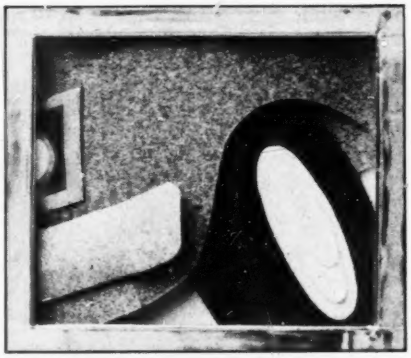
Where to find the company

Company	Rank: Profitability	Rank: Growth	Rank: Stock market	Rank: Industry survey page
Sybron	796	798	859	156
Sysco	408	387	213	232
Talley Industries	981	965	822	86
Tampa Electric	611	712	811	217
Tandy	6	23	45	227, 248
Tecumseh Products	310	509	370	148
Tektronix	272	123	249	140
Teledyne	15	22	11	140, 156
Tenneco	404	677	447	76, 156, 209
Tesoro Petroleum	380	938	467	76
Texaco	621	827	434	76
Texas Commerce Bshs	336	385	526	118
Texas Eastern	384	561	256	209
Texas Gas Transmn	435	589	263	209
Texas Instruments	269	293	597	140
Texas Oil & Gas	46	72	10	76
Texas Utilities	669	799	909	217
Texasgulf	505	743	379	239
Textron	451	629	603	156
Thiokol	311	292	83	135, 198
Thriftimart	710	**	137	230
Thrifty Corp	721	679	477	248
Tiger International	692	709	517	144
Time Inc	388	289	479	253
Times Mirror	216	259	347	253
Timken	591	613	482	148
Todd Shipyards	117	**	60	135
Toledo Edison	792	912	980	217
Toro	574	646	248	86
Tosco	3	13	8	76
Toys "R" Us	43	**	**	248
Trane	669	465	313	234
Trans Union	345	539	442	152
Trans World	940	**	271	144
Transamerica	323	182	353	112, 156
Transco Companies	377	554	44	209
Transway Intl	336	606	578	213
Travelers	441	269	535	127
Trinity Industries	73	175	34	148
TRW	234	425	382	156
Turner Construction	396	740	257	203
Twentieth Century-Fox	94	46	93	227
Tyler	191	348	267	148
Tyson Foods	193	86	150	223
U S Air	170	3	136	144
UAL	923	383	969	144
UMC Industries	757	848	739	148
Union Camp	287	404	773	241
Union Carbide	600	707	896	159, 198
Union Electric	746	820	889	217
Union Oil California	387	536	109	76
Union Pacific	665	227	148	92
Uniroyal	1019	979	960	73
United Brands	983	**	251	206
United Energy Resources	72	37	46	209
United Merch & Mfrs	1027	979	1026	200
United Refining	409	371	194	76
U S Bancorp	369	414	418	118
U S Fidelity & Gty	80	95	413	127
United States Filter	867	194	188	203
United States Gypsum	459	305	427	234
U S Home	214	137	70	203
U S Industries	932	914	386	156
United States Shoe	375	341	548	200
United States Steel	1001	977	1006	190
United Technologies	312	163	295	135, 156

Company	Rank: Profitability	Rank: Growth	Rank: Stock market	Rank: Industry survey page
United Telecom	359	674	727	225
Univar	744	846	696	232
Universal Foods	356	419	643	206
Universal Leaf	360	306	200	232
Upjohn	205	367	575	244
USLIFE	444	596	494	127
Utah Power & Light	828	873	708	217
Valero Energy	846	**	**	76
Valley Natl Bk Ariz	428	441	445	118
Varian Associates	924	140	338	140
VF	425	667	733	200
Va Electric & Power	890	913	941	217
Vornado	1002	979	211	246
Vulcan Materials	172	269	260	159
Wachovia	628	624	915	118
Wal-Mart Stores	35	61	152	246
Waldbaum	636	480	294	230
Walgreen	457	323	221	248
Wallace-Murray	321	157	202	148
Wang Laboratories	64	42	2	250
Ward Foods	1025	1004	630	206
Warnaco	971	957	421	200
Warner Communications	34	60	59	227
Warner-Lambert	604	841	1012	244
Washington Gas Light	916	815	705	209
Washington National	774	669	193	127
Washington Post	76	82	142	253
Waste Management	227	108	16	148
Del E Webb	831	505	299	203, 227
Weis Markets	227	362	359	230
Wells Fargo	550	411	521	118
West Point-Pepperell	796	438	714	200
Western Air Lines	613	663	888	144
Western Bancorp	529	464	321	118
Western Union	977	883	511	225
Westinghouse Electric	622	350	326	138, 159
Westmoreland Coal	921	952	983	76
Westvaco	544	370	536	241
Wetterau	435	670	661	232
Weyerhaeuser	368	552	850	234, 241
Wheelabrator-Frye	357	210	233	148
Wheeling-Pitts Steel	985	960	653	192
Whirlpool	341	600	917	86
White Consolidated	386	633	639	156
White Motor	1009	1004	1025	71
Whittaker	406	16	26	156
Wickes Companies	729	258	429	248
WICOR	757	775	789	209
Willamette Inds	273	450	486	234, 241
Williams Companies	885	926	480	198
Winn-Dixie Stores	221	572	806	230
Wisconsin Elec Power	764	752	957	217
Wisconsin Pwr & Lt	720	790	842	217
Wisconsin Public Svc	636	720	813	217
Witco Chemical	342	429	333	198
F W Woolworth	746	623	771	246
Wm Wrigley Jr	403	673	837	206
Wyman-Gordon	250	188	103	135
Xerox	302	575	669	252
Yellow Freight System	289	654	1019	213
Zale	762	694	682	248
Zapata	938	897	54	156
Zayre	862	469	214	246
Zenith Radio	936	951	883	86
Zurn Industries	421	233	341	148

Profitability: 5-year return on equity. **Growth:** 5-year compounded annual earnings-per-share growth.
Stock market: 5-year price change. **Not ranked.

More than economics is involved in the progressive decline of the U.S. auto industry.



Autos and trucks

By the Editors of Forbes

IT WOULD TAKE A POET, A HOMER, to describe adequately the shattering decline of Detroit, of the automobile industry. Drama abounds, as does irony. America invented the mass-production auto industry, rode it to unprecedented prosperity and personal freedom and excelled in its technique. Suddenly, in a motor-car sense, we are an underdeveloped country, seeking knowhow and even money from abroad.

What better symbol of that decline than Ford's advertising campaign for its fuel-thrifty, subcompact Escort, "a new car with better ideas from around the world"?

It's chic now to blame it all on the auto companies. Weren't they shortsighted in sticking to big cars for so long? How Americans love a scapegoat. But in a thoughtful article in November's *Harper's* magazine, William Tucker said otherwise. Both Ford and GM, he showed, made repeated attempts to design and sell small cars only to have them rejected by the public. The real villain, he says, is Congress, which enabled the public to indulge its taste for big cars by refusing to let gasoline prices rise to world levels of $2.50 or so a gallon. Quite a picture: Congress pandering to the voters who refused to buy small cars and then blaming the whole mess on the auto companies. In contrast, the *Harper's* article put the blame right where it belongs: on the self-indulgent American.

It's good to see an intellectual magazine buck the tide of antibusiness thinking and look the facts squarely in the face. It's a step in the right direction. But it would be no more right for business to sit back and blame the public than for the public to sit back and blame business. There is blame enough for everyone. As a business magazine, FORBES must concede that some of the mistakes grew out of inherent weaknesses in the U.S. business system.

Good business management tries to anticipate the future and is willing to make major investments, even take losses, in order to position itself for the future. Detroit should have known that the American public, in sticking to 65-cent gasoline, was only postponing the inevitable. Detroit—or at least General Motors and Ford—should have known better.

Look at the Yardsticks. Over the past five years, which should have been years of building for the future, GM kept its profits high, earning on average a 15% return on invested capital, compared to an all-industry median of 11%. Nothing wrong with that; but what did GM do with the money? In 1977 it paid a dividend that represented a return of nearly 13% on its stockholders' equity; even in 1979 when the handwriting was all over the wall, it paid out over half its earnings. During most of the Seventies GM's capital spending rarely exceeded its annual cash flow from depreciation. General Motors was in no sense building for the future.

So, there is plenty of blame to go around. The public was self-indulgent. Congress pandered to the public. The auto companies shrugged their shoulders and raked in the profits. Now, the U.S.' largest industry faces tragedy. Hundreds of thousands

See no evil? Speak no good

In the pervasive malaise that afflicts the economy and indeed the country, the news media itself may be part of the problem. The editors who select the news, the desk people who write the headlines and the television personalities who decide what most Americans are going to notice—most of them seem afflicted with a curious bias. Anything *bad* about the U.S. economy and U.S. business is news; anything *good* isn't news, or so it seems. This was brought home to us in mid-December when the Department of Transportation issued a buyers' guide on automobiles. Our bureaucrats are forever issuing reports of every variety, most of them critical of U.S. business. But this particular report was a bit different: Most of its contents were favorable to the hard-pressed U.S. automobile industry.

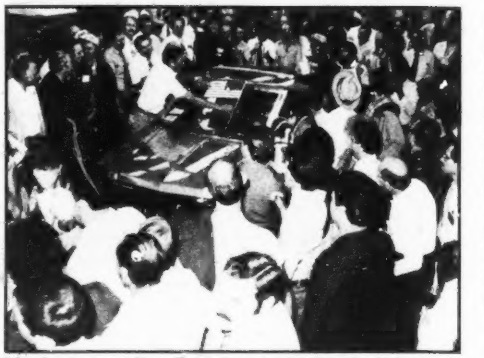
So how did the news media treat the report? In some cases they ignored it. In other cases they described the report but avoided comment on the contents, even though the contents virtually trumpeted the news that the new U.S. small cars were far safer than almost all of the imported small cars. Only toward the very end of a story carried on page 18 of its main section did the *New York Times* get around to mentioning the general superiority of the U.S. cars. It's interesting to speculate how the press would have played the report had it called *American* cars unsafe. Screaming headlines probably. Alas, self-criticism is one thing; self-hatred is something else again.

In the Department of Transportation report only one foreign car in the compact or subcompact class passed the crash test (the Fiat Strada; a few other models were not rated), and *every* American-made compact or subcompact car passed. Perhaps for this reason, only American-made compacts or subcompacts were entitled to insurance discounts; many of the foreign cars were subject to surcharges.

Several editors we talked with said the report wasn't really news; its contents had leaked earlier. Maybe so, but isn't publication of the report itself news? Aren't the virtues of American industry worth as much space as the sins of American industry? Certainly not in television's case—and the print media aren't much better.

Remember *Unsafe At Any Speed?* The publicity that Ralph Nader got? Why isn't it equally newsworthy if American cars are now the safest in the world? We're in the news business ourselves and *we* don't know the answer, but we think it's one hell of a question.

of jobs have been lost forever. Chrysler is a ward of the government. Ford is looking for foreign partners. General Motors is having to spend tens of billions to make up for the lapses of the past decade. The biggest tragedy is human: Even if the U.S. companies succeed in rolling car imports back to, say, 20% or so, millions of jobs will have vanished. The new small American cars are world cars; they contain many components that are built abroad. Chrysler's Omnis and Horizons have Volkswagen engines. Ford's new Escort has power rack-and-pinion steering from West Germany. General Motors' new J-cars will have transaxles from Japan and engines from Brazil.


The last car rolls off the line in Mahwah, N.J.
One of five Ford plants that may not reopen.

The notion that the energy crisis was solely the creation of the oil companies and therefore could be legislated away with price controls and bureaucratic allocations will probably be remembered as one of our more extraordinary popular delusions, on a par with the Ponzi swindle in the Twenties, the send-a-dime mail pyramid schemes in the Thirties and flying saucers in the Fifties. But it was no joke. Every jobless autoworker owes his plight to that delusion.

Detroit's self-inflicted wounds—the industry's staying too long with big cars, where the big profit was—are themselves symptomatic of a larger problem. It is a common myopia in corporate America to focus on next year's—next quarter's—bottom line. Next quarter's bottom line projected five years out passes all too often for long-term thinking. That's fine as long as everything's constant. But what happens when a company has to change direction 90 degrees during the fourth year and had damn well better get started now? That's exactly what is happening to the auto industry.

Benjamin Tregoe, one of the principals of the consulting firm of Kepner-Tregoe, sums up such disastrous thinking, and not only for the auto industry: "In the U.S.," he has written in a recent book, *Top Management Strategy*, "strong operations historically have been more important than clear strategic thinking. . . . After all, with unlimited resources, skilled labor, a large, homogeneous market and worldwide demand for U.S. products, who needed to think much about what kind of a business they wanted to be in in the future?" So OPEC made the decision for them.

The questions we ask in attending to the woes of the auto industry, the public ones in Washington and the private ones in Detroit—and the ways we answer them—will augur the future for the rest of the economy. They will tell us what we are going to do to, or for, ourselves. Protectionism to shut out the world? Billion-dollar bailouts from Washington to make us another Great Britain? Or cooperative public-private reorganizations as needed, à la Franklin National Bank? Still more regulatory burdens from Washington without regard to jobs and productivity? Or less? A fundamental rethinking of the way much of U.S. business plans for itself? Or more of the same, again?

The Reagan landslide suggests a readiness to change directions. But wishing won't make the change happen. More is at stake than the fact that the auto industry, directly or indirectly, creates jobs for one in five workers. More than the fact that it consumes 17% of the nation's production of aluminum, 25% of its steel and 60% of its synthetic rubber.

The very industrial heartland lives in a symbiotic relationship with the auto industry. If one shrinks, so does the other.

Has America lost its vigor? Can it get its act together? Can our business system adapt? Such thoughts come unbidden these days. Is there a poet in the house? A visionary with the strength to act on his vision?

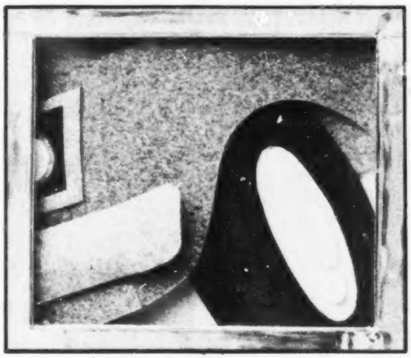
Autos and trucks

Yardsticks of management performance

	Profitability								Growth			
	Return on equity			Return on total capital					Sales		Earnings per share	
Company	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
Subaru of America	76.8%	**1**	58.5%	0.0	58.2%	**1**	73.2%	2.2%	46.9%	**1**	87.0%	**1**
PACCAR	25.3	**2**	20.2	0.0	19.1	**2**	23.2	5.5	17.1	**3**	25.0	**3**
Hyster	21.1	**3**	16.3	0.2	14.1	**3**	17.0	7.1	13.7	**7**	27.6	**2**
Caterpillar Tractor	20.1	**4**	14.6	0.3	11.8	**5**	15.0	5.7	14.6	**6**	13.9	**6**
Deere	16.9	**5**	11.2	0.3	9.3	**6**	13.3	4.2	15.8	**5**	12.9	**7**
General Motors	16.7	**6**	def	0.0	def	**4**	15.1	def	12.3	**9**	7.1	**11**
Clark Equipment	15.3	**7**	10.0	0.2	8.4	**7**	11.7	3.7	6.0	**13**	11.2	**8**
Fruehauf	15.1	**8**	7.5	0.7	6.0	**9**	9.7	1.8	19.4	**2**	14.4	**5**
Signal Companies	14.9	**9**	13.9	0.4	10.3	**8**	10.7	3.9	17.1	**3**	19.6	**4**
Ford Motor	11.5	**10**	def	0.1	def	**10**	9.6	def	12.1	**10**	7.8	**9**
Intl Harvester	8.5	**11**	def	0.4	def	**11**	6.6	def	9.5	**11**	7.7	**10**
White Motor	def	**12**	def	0.4	def	**12**	0.7	def	1.1	**15**	D–D	**15**
American Motors	def	**13**	def	0.1	def	**14**	def	def	8.4	**12**	P–D	**12**
Massey-Ferguson	def	**14**	def	1.1	def	**13**	def	def	12.8	**8**	P–D	**12**
Chrysler	def	**15**	def	0.7	def	**15**	def	def	5.3	**14**	P–D	**12**
Industry medians	**15.1**		**7.5**	**0.3**	**6.0**		**10.7**	**1.8**	**12.8**		**11.2**	
All industry medians	**15.8**		**16.1**	**0.4**	**11.0**		**11.1**	**5.0**	**14.3**		**13.9**	

Note: Explanation of Yardsticks calculations on page 49.
P-D: profit to deficit. D-D: deficit to deficit. def: deficit

The automakers are hard hit by the slump in new car sales but the parts manufacturers are twice cursed: by a decline in replacement parts as well as in original equipment.



Auto suppliers

LAST YEAR ONE OF THE AUTO INDUSTRY'S rules of thumb was severed and left on the factory floor. Stunned industry officials learned that the replacement parts market is not countercyclical to the new car market. It was quite a shock. The conventional wisdom of the Seventies was that unemployed workers would fix up their old heaps and spend their spare time and unemployment benefits driving around the countryside. Confident in their belief, Bendix, Dana and others bought up replacement parts companies to counterbalance their original equipment business. But in 1980 the family car stayed in the driveway unused and unrepaired.

Even so, the replacement parts market—aftermarket in industry jargon—was better than the original equipment market, and the corporate results showed it. Companies like Eaton and A.O. Smith, with relatively slight replacement sales, racked up sickening declines of 50% or more in automotive earnings, while TRW and Bendix, with sizable aftermarket sales, held the drop to a more reasonable 20%. So the big question for 1981: Will the $70 billion aftermarket regain its strength, never mind what happens to the fortunes of Detroit itself?

Only a bitter winter can clear up the bleak picture. The slicker the streets, the higher the number of brake jobs. The lower the temperatures, the higher the sales of batteries, cables and other electrical parts.

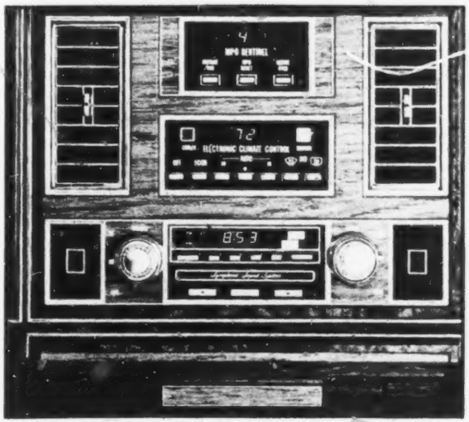
Cold winter temperatures and hot interest rates are only two of the less complex variables in the aftermarket equation. Econometric modeling of the replacement parts market in 1981 makes the National Weather Service's job look easy. Quips Mason Reynolds, the affable president of Bendix' automotive group, "Auto industry forecasts are an art and a science. It is important to spot when there's too much art and not

Technological advantage

For the auto component suppliers, Detroit's frantic move to smaller cars is more than a volume cruncher. Radically different products are now in demand, and the partsmakers are having to develop and master new technologies to keep up with Detroit's shift from gas guzzler to gas sipper. Some companies are meeting the changes, others are losing the race.

Contrast the performances of Bendix and TRW, for instance.

TRW is now profiting from its foresight over the past ten years in emphasizing the small components it sold in Europe. When Detroit switched to a clone of the Continental car, TRW's rack-and-pinion steering was an obvious replacement for bulkier American versions. A few years ago, such steering systems were installed in only about 30% of new domestic cars, Pintos, for example. By 1983, TRW Executive Vice President Charles Ohly predicts, 80% of American cars will have them. TRW has a lock on Ford's steering business and contracts from European and Japanese assemblers. Under the hood the new cars, domestic and foreign, are all starting to look alike.



Cadillac dashboard monitors Eaton components

Last year TRW's original equipment business was off 10%, only half as much as the industry. This year, Charles Ohly claims, the company's sales will be up as much as 20%, *vs.* perhaps 10% for the industry as a whole.

TRW's gain is Bendix' loss. Ford traditionally bought about 50% of Bendix' $1 billion original equipment output. But now some Bendix products are technologically obsolete. "After 20 years," says Mason Reynolds, group president, "linkage power steering died over the last year." Bendix' move into disc brakes, besides its traditional drum brakes, should help offset the loss, but only partly. This slippage, apparently permanent, explains why Bendix is so anxious to diversify and why its chairman, William M. Agee, put aside $800 million last year to buy a high-technology company.

TRW has long been in high technology. Rival Eaton Corp. made the high technology jump with the 1978 acquisition of Cutler-Hammer, a merger that is already paying off. Using Cutler-Hammer's expertise, Eaton is now in the auto electronics business with new components for Cadillac's innovative variable-cylinder engine. Notes Eaton President James Stover, "A viable vendor must have an electronics technology capability."

For companies like A.O. Smith of Milwaukee, it's too late. Once a supplier of big car chassis for General Motors, Smith expects its automotive business to drop by as much as 75% next year. With two-thirds of its $700 million in sales tied to the automotive chassis business, Smith is in real trouble. CEO Lloyd B. Smith spent all of last year desperately looking for an answer, but he hasn't found one. Meanwhile sales dropped 60% and operations were in the red in late 1980. By the time Smith comes up with a rescue plan, it may not matter. In our highly competitive economy, executives can't just sit and clip their coupons.—L.M.

enough science. Often they only represent a detached abstraction of the obsolete, but are claimed to be gospel." A nice way of saying: "They don't know, and I'm not sure either."

The fact is that the energy crisis may have fundamentally transformed the auto parts market. Will Americans get back into their autos and run up the odometer? Cars are more efficient and fuel is abundant, yet miles driven declined each of the past three years. The best guess—a 1% increase annually for the next few years, far off the lucrative 4% pace of the embargo-free years of the Seventies when gasoline was still quite cheap.

Will owners spend more money to keep their cars running? Industry optimists insist that the increased age and size of the vehicle fleet counts more than the decline in miles traveled. While they have a point—the average car age is more than 6.5 years, and rising fast—small cars of recent vintage require less maintenance. Fewer cylinders using cleaner-burning unleaded gasoline mean fewer tune-ups. That's why there's no waiting at your local garage.

While auto component sales depend on the weather, the truck parts business—33% of the total in good years—depends on cannibals. As highway shipping volumes declined last year, replacement parts came from cannibalized vehicles parked along the fence, explains James Stover, Eaton's president. Cannibalized truck fleets were the curse of 1980 but promise to be the blessing of 1981 for component makers: When the economy began heating up, Eaton's 11 emergency parts centers shifted into overdrive to salvage dismantled rigs. But that is a boomlet in a declining market.

Once 25% of Eaton's total truck component volume went to the aftermarket, but that rate halved in the last few years and is heading for 10%. New technology is shrinking the replacement market—Eaton axles now last 4 times longer and new transmissions will outlive the truck body *(see box, p. 73)*.

With the aftermarket sputtering and a bleak forecast of new car and truck volumes, there's only one way for the component suppliers to make money. Unfortunately, that means unemployment ranks won't thin out as fast as most people think.

Eaton and Borg-Warner won't be welcoming back all those laid-off factory and office workers. An army of robots will replace some laid-off UAW troops, one squad at a time. About one-third of Eaton's 13,000-person worldwide transportation work force was out last fall, and Stover says they won't all be coming back. A full-time robot implementation expert is now on staff at Borg-Warner, says Vice President F.E. (Bud) Pilling. "We're tooling up more efficiently." To reduce its exposure, Borg-Warner will subcontract more transmission subassemblies. Nothing like a recession to find out where the fat is.—**Larry Marion**

Auto suppliers

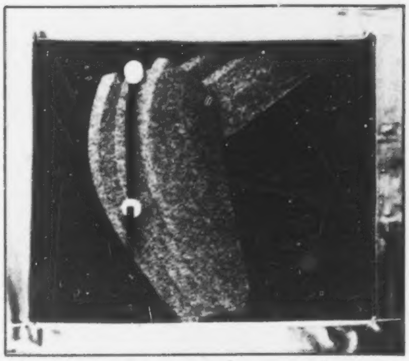
Yardsticks of management performance

	Profitability								Growth			
	Return on equity			Return on total capital					Sales		Earnings per share	
Company	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
Tire and rubber												
Genl Tire & Rubber	10.9%	**1**	2.6%	0.3	2.8%	**1**	8.3%	1.2%	9.3%	**3**	6.1%	**2**
Goodyear	8.7	**2**	7.9	0.6	6.5	**2**	6.9	2.1	9.6	**2**	0.2	**3**
B F Goodrich	6.7	**3**	5.7	0.4	5.2	**3**	5.9	1.8	9.2	**4**	6.5	**1**
Armstrong Rubber	4.6	**4**	def	0.7	def	**4**	4.2	def	9.9	**1**	–4.2	**4**
Firestone	0.6	**5**	def	0.4	def	**5**	1.8	def	8.4	**5**	–44.1	**5**
Uniroyal	def	**6**	def	1.1	def	**6**	def	def	4.4	**6**	P–D	**6**
Medians	**5.7**		**def**	**0.5**	**0.2**		**5.1**	**def**	**9.3**		**–2.0**	
Partsmakers												
Snap-On Tools	25.9%	**1**	23.4%	0.2	20.7%	**1**	21.8%	9.8%	19.2%	**1**	21.0%	**5**
Hoover Universal	22.8	**2**	11.8	0.4	8.9	**3**	17.7	3.1	15.3	**7**	17.1	**7**
Genuine Parts	21.1	**3**	20.6	0.0	19.7	**2**	20.9	4.7	17.0	**4**	15.8	**10**
Federal-Mogul	19.3	**4**	16.5	0.2	13.8	**5**	14.8	5.2	12.0	**12**	27.2	**1**
Dana	19.1	**5**	10.5	0.3	8.7	**6**	14.7	3.8	18.3	**2**	16.4	**8**
Arvin Industries	18.9	**6**	5.9	0.5	5.5	**10**	12.3	2.3	12.9	**11**	25.5	**3**
Barnes Group	18.9	**7**	19.5	0.3	15.2	**4**	15.0	5.6	15.4	**6**	20.7	**6**
Echlin Manufacturing	18.2	**8**	6.2	0.3	6.0	**7**	13.7	2.9	17.0	**5**	12.8	**13**
Eaton	16.6	**9**	14.0	0.6	9.4	**13**	10.8	3.8	13.3	**10**	11.7	**14**
Bendix	15.9	**10**	17.0	0.4	15.1	**9**	13.0	5.0	10.5	**17**	15.5	**11**
Cummins Engine	14.9	**11**	def	0.4	0.1	**15**	10.2	def	17.2	**3**	21.5	**4**
Champion Spark Plug	14.7	**12**	10.9	0.1	10.1	**8**	13.5	5.5	11.0	**15**	2.6	**17**
Easco	14.4	**13**	4.3	0.6	4.4	**16**	10.0	1.0	13.7	**9**	5.2	**15**
Borg-Warner	13.6	**14**	11.9	0.1	11.1	**11**	12.1	4.9	[illegible]	**18**	15.2	**12**
Allen Group	13.5	**15**	12.5	0.6	8.8	**17**	9.4	2.6	[illegible]	**14**	16.2	**9**
Purolator	13.2	**16**	10.7	0.4	8.7	**14**	10.5	2.1	[illegible]	**16**	0.4	**19**
Libbey-Owens-Ford	12.8	**17**	5.0	0.3	4.9	**12**	11.0	2.4	[illegible]	**13**	4.0	**16**
Sheller-Globe	11.9	**18**	def	0.6	0.1	**19**	7.7	def	14.4	**8**	2.5	**18**
A O Smith	10.2	**19**	def	0.2	def	**18**	7.9	def	7.4	**19**	26.7	**2**
Questor	3.9	**20**	def	0.5	1.7	**20**	4.0	0.0	4.9	**20**	–3.2	**20**
Medians	**15.4**		**10.8**	**0.4**	**8.8**		**12.2**	**3.0**	**13.1**		**15.7**	
Industry medians	**14.0**		**7.1**	**0.4**	**6.3**		**10.7**	**2.4**	**11.0**		**12.3**	
All industry medians	**15.8**		**16.1**	**0.4**	**11.0**		**11.1**	**5.0**	**14.3**		**13.9**	

Note: Explanation of Yardsticks calculations on page 49.
P-D: profit to deficit. def: deficit.

The end of oil price controls later this year may create nearly as many problems as it solves.

Energy



If all goes according to schedule—if there isn't a complete upheaval in the Middle East or some other unforeseen catastrophe that would call forth emergency measures—crude oil prices will be completely decontrolled by Oct. 1 of this year. That's a prospect that heartened free-marketers and conservationists, but it has one refinery executive considerably worried. As might be expected, the executive, from a large, independent refinery that reaps last benefit from federal controls, requested anonymity. This, even though he is a member of a newly formed Washington lobby called CEACO (for the Committee for Equitable Access to Crude Oil). Little wonder. Listen:

"The market," our executive says, "has been distorted by government controls for so many years that to take away controls and leave it as a free market would be to leave a sort of mutant. It would hobble along in a strange way. It wouldn't really be a free market at all because it has been carved and changed by controls for so long."

What does he want to do about that? You guessed it—continue some sort of controls. "We need some kind of mechanism to assure that the marketplace either approaches a point where it can be free or is controlled for the benefit of the consumers and the participants forever," says he. That's right. He said *forever*.

The problem is this: Oil price controls ultimately led to the entitlements program whereby companies with cheap oil—

The political factor

Professor Nazli Choucri of MIT

Economists don't understand OPEC, says Dr. Nazli Choucri, a professor of political science at MIT. They think it's simply a cartel, and it's not. Which is why it doesn't always act as cartels are supposed to act—to maximize profits, for instance. "A country cannot be treated like a firm," Choucri says. "The fact is that OPEC's member governments are not maximizing their profits, or they may be maximizing subject to political constraints." Members of OPEC, she insists, have political as well as economic motives, and economists simply do not give enough weight to them. Not only economists, but Western governments, which as a result sometimes fail to interpret correctly what OPEC is up to.

An Egyptian who earned her B.A. at the American University in Cairo and her M.A. and Ph.D. at Stanford, Choucri has been studying Third World politics for years. In a set of papers that made her reputation, she examines the politics of three early nonalignment leaders—Nehru, Sukarno and Nasser—for the purpose of separating what they really wanted to achieve as opposed to what they told their internal and external audiences they wanted to achieve. In the same context, she has since turned her attention to the international oil market and to OPEC, and her new book, *International Energy Futures—Petroleum, Prices and Payments*, will be published by MIT Press in February.

Well, what do the OPEC nations want besides more money? In a word, power—though Choucri would be the last to say that each nation has the same motives. The OPEC members, she says, want to be able to deal directly with Western governments, not just with oil companies; to win political support from poorer countries through charitable financial assistance (though, of course, at the same time practically bankrupting them with high oil prices), and simply to be able to confront the West on more equal terms. "There is politics going on," she says, "good old-fashioned power politics."

It is not surprising, then, that unlike many economists Choucri takes seriously OPEC members' oft-stated determination to get a piece of the refined products market. Economists insist that it wouldn't make economic sense for them to try to monopolize that market as well as the market for crude. Choucri, however, thinks they may believe it makes political sense to have at least a part of it.

"They are concerned," says she, "that sooner or later the West is going to react to its dependence on OPEC. It may impose huge taxes on imported oil or devise substitutes." Such a response could affect both their political and economic power. "What they want now," she believes, "is to talk with the West, to try to reduce their future uncertainty."

Meanwhile, action is an alternative to talk, and various OPEC members are building refineries both to supply their own needs—for internal political reasons and to gain experience—and, if the West doesn't maintain its own refining capabilities, to supply Western markets as well. With extensive refinery capacity, they could undercut refined products made from expensive syncrudes and grab a big piece of the market. Ultimately the West could find itself as dependent on OPEC for gasoline as it now is for crude oil, and its ability to counterattack would be reduced even more.

Whether this be politics or economics, it is clearly the pursuit of self-interest. Prudence dictates that the West follow the same course.—J.A.B.

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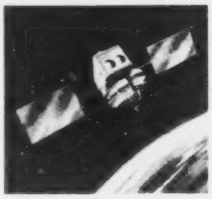

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The solution that beats the system

generally price-controlled domestic oil—had to make payment to companies with expensive oil—generally OPEC-priced imported oil. So everybody's crude costs were more or less equalized. That program is now so extensive that half a billion dollars changes hands every month as the haves share their good fortune with the have-nots. At the Department of Energy, 600 people administer oil regulatory programs that have spun out of the entitlements program, and they fill more than three pages in the Federal Register each month to make clear who writes checks and who receives them and for how much. It's a real bonanza—for the bureaucrats. However, like any government tangle, this one creates its own constituency of supporters.

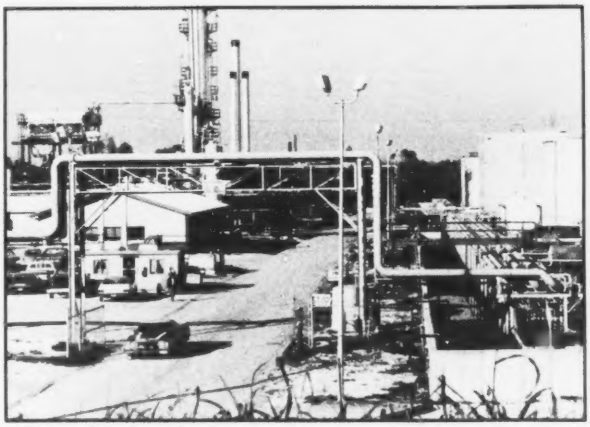
There are four very disparate groups of beneficiaries. First, there are the large independent (so called because they produce less than 30% of the crude they need) refiners like Pacific Resources, Ashland Oil and Clark Refining. Second, there are some of the major integrated companies, like SoCal, that are heavily dependent on foreign crude. Though they dislike the program, they do reap net benefits from it. Third, there are about 60 new, backyard-size refineries referred to in the industry as teapots or bias babies. These outfits sprang up specifically to take advantage of a provision known as the small refiner bias. The latter is designed to protect small refiners from the greater efficiency of the larger competitors. Most of the teapots are unsophisticated in that they can produce only heavy residual oil, a product that is not now in great demand.

It is hard to sympathize with businessmen who preach free enterprise and decontrol in philosophic terms, and then beg Washington for help with their own problems.

Finally, there are municipalities and nonenergy companies that can sell entitlements because they are using higher-cost alternative fuels. Los Angeles, for example, received an $80,000 check for just one month last year for converting sewage into energy instead of burning oil. Nestlé Co. is asking for similar treatment for burning tea leaves and coffee grounds at several of its plants.

It is hard to sympathize with businessmen who, after preaching free enterprise and decontrol in philosophic terms, turn around and petition Washington for help with their own problems. It's hypocrisy. In fairness, though, decontrol threatens the U.S. refining industry in a number of ways. For example, by assuring the U.S. refining industry of lower-cost feedstocks than were available elsewhere, in

Europe or the Caribbean, say, price controls protected the refiners from cut-rate foreign competition and kept U.S. refineries operating at nearly full capacity at a time when the rest of the world was down to as little as 65%. Decontrol effectively ends that protection and the industry ultimately stands exposed to increasing competition from imported refined products—gasoline, naphtha, fuel oil—though a study completed recently by the National Petroleum Council concluded that isn't likely immediately.



A "teapot" in Louisiana

Can it survive without the small refiner bias?

Complicating the issue is the fact that the U.S. doesn't have the right refining capacity for its future needs—capacity that can turn the heavy, sour crudes, now more readily available than sweet crudes, into light products like gasoline. So there is a danger that sooner than spend the hundreds of millions needed to upgrade its domestic refineries, the U.S. could come to depend on the new refineries proposed for the Caribbean and those already abuilding in the Middle East. It's a long-term worry but a worry nonetheless.

So the golden question is: What will happen to all beneficiaries when decontrol wipes out the entitlements program? They have no intention, obviously, of leaving the matter to fate so long as there are congressmen and senators—to say nothing of a new Administration—to try to influence.

The independents probably won't press for *too* much. It's a little difficult to argue that their more successful rivals should be penalized for good judgment or accidents of history. Instead the indies will probably try to protect themselves against any new crisis that might develop—to prevent a recurrence of what happened in 1973 when they were sometimes forced to pay $12 per barrel of oil in the spot market when their integrated competitors were acquiring oil under long-term arrangements for $2 or $3. What they'll be asking for is standby controls to equalize the cost of oil in an emergency, when supplies might be tight. In an embargo, say, or a major war.

The major oil companies with domestic reserves—like Gulf and SoCal—see such measures basically as a means for independents to impose controls. Things have changed considerably since 1973, they argue. These days, foreign governments market perhaps 50% of the oil that moves in international trade, *vs.* 2% in 1973. So the independents already have equal access to much of the crude available. "The producing countries," scoffs Warren Davis, chief economist for Gulf Oil, "will deal with independents just as quickly as they'll deal with us,

Energy

Yardsticks of management performance

	Profitability								**Growth**			
	Return on equity			**Return on total capital**					**Sales**		**Earnings per share**	
Company	**5-year average**	**5-year rank**	**latest 12 months**	**debt/ equity ratio**	**latest 12 months**	**5-year rank**	**5-year average**	**net profit margin**	**5-year average**	**5-year rank**	**5-year average**	**5-year rank**
International oils												
Occidental Petroleum	29.0%	**1**	54.0%	0.6	25.0%	**4**	14.0%	6.2%	15.0%	**7**	26.4%	**1**
Phillips Petroleum	21.7	**2**	25.8	0.2	20.5	**1**	16.5	8.7	17.9	**3**	22.6	**2**
Conoco	20.7	**3**	25.9	0.4	17.2	**2**	14.4	5.7	16.7	**6**	19.8	**3**
Exxon	17.9	**4**	25.3	0.2	18.6	**5**	13.8	5.7	17.2	**5**	10.1	**6**
Mobil	17.9	**5**	26.5	0.3	18.8	**6**	13.2	4.6	22.6	**1**	14.6	**4**
Standard Oil Calif	17.8	**6**	24.9	0.2	19.9	**3**	14.4	5.7	19.6	**2**	14.1	**5**
Texaco	13.9	**7**	21.5	0.3	15.4	**8**	10.4	4.6	17.8	**4**	4.0	**8**
Gulf Oil	13.6	**8**	16.9	0.2	13.8	**7**	11.4	5.2	13.9	**8**	9.5	**7**
Medians	**17.9**		**25.6**	**0.3**	**18.7**		**13.9**	**5.7**	**17.5**		**14.4**	
Other oil and gas												
Tosco	62.7%	**1**	49.6%	0.9	30.2%	**8**	18.2%	3.6%	46.1%	**3**	73.3%	**1**
Houston Oil & Minerals	53.1	**2**	27.4	1.1	10.4	**9**	17.5	20.2	65.9	**2**	44.1	**2**
Charter	47.3	**3**	25.6	0.8	16.2	**2**	24.6	3.8	30.9	**14**	41.6	**3**
Howell	37.7	**4**	34.7	0.0	32.0	**1**	25.0	7.4	32.9	**13**	25.0	**15**
Mitchell Enrgy & Dev	36.4	**5**	44.3	1.1	14.4	**29**	11.8	15.4	36.4	**8**	34.4	**8**
Standard Oil Ohio	31.9	**6**	58.1	1.0	26.2	**23**	13.4	17.2	27.3	**18**	39.8	**5**
Ashland Oil	31.7	**7**	21.2	0.5	12.7	**14**	16.0	2.5	17.1	**42**	27.3	**13**
Superior Oil	31.7	**8**	19.7	0.4	13.8	**32**	11.3	21.0	25.2	**19**	24.5	**17**
Dorchester Gas	30.7	**9**	36.3	0.7	19.7	**4**	19.8	5.7	66.5	**1**	33.9	**9**
Earth Resources	30.0	**10**	41.0	0.5	25.2	**6**	19.4	4.6	29.6	**15**	27.5	**12**
Texas Oil & Gas	29.9	**11**	36.7	0.7	16.4	**15**	15.4	11.9	44.9	**4**	32.4	**10**
Clark Oil & Refining	28.8	**12**	44.5	0.2	36.4	**5**	19.6	5.6	20.1	**30**	37.9	**6**
Pennzoil	28.8	**13**	37.5	0.7	19.2	**25**	12.9	12.5	19.3	**32**	21.6	**19**
MAPCO	28.0	**14**	25.6	0.7	13.3	**18**	14.3	9.2	28.5	**16**	19.8	**22**
Crown Central Petroleum	26.9	**15**	18.3	0.5	13.3	**13**	16.2	2.7	23.0	**22**	41.1	**4**

Note: Explanation of Yardsticks calculations on page 49.

Energy

Yardsticks of management performance

	Profitability								Growth			
	Return on equity			Return on total capital					Sales		Earnings per share	
Company	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
Holly Corp	26.8%	**16**	22.5%	0.3	18.5%	**7**	18.6%	2.2%	35.4%	**11**	34.8%	**7**
Louisiana Land	26.4	**17**	28.0	0.2	23.4	**3**	21.2	17.8	24.8	**20**	9.7	**38**
Kaneb Services	25.8	**18**	29.6	0.9	15.1	**19**	14.2	14.9	36.1	**10**	16.7	**27**
Natomas	25.6	**19**	29.7	0.6	20.1	**12**	16.8	15.5	40.1	**5**	31.4	**11**
Petrolane	24.5	**20**	25.4	0.5	17.3	**11**	17.0*	5.2	21.0	**27**	19.9	**21**
Belco Petroleum	22.4	**21**	22.5	0.1	18.2	**10**	17.2	9.8	21.9	**23**	23.6	**18**
Pacific Resources	21.5	**22**	26.6	0.9	14.0	**33**	11.1	2.8	33.0	**12**	26.2	**14**
Amerada Hess	21.0	**23**	29.0	0.4	20.5	**16**	15.0	7.1	19.2	**33**	15.9	**28**
Sun Company	19.5	**24**	25.2	0.2	18.1	**22**	13.6	7.5	24.1	**21**	17.1	**25**
Sigmor	19.4	**25**	22.7	0.6	16.1	**17**	14.6	2.3	37.7	**7**	12.8	**33**
Atlantic Richfield	19.1	**26**	26.0	0.4	16.0	**26**	12.6	7.3	21.6	**25**	24.9	**16**
Marathon Oil	18.9	**27**	22.4	0.6	13.6	**26**	12.6	4.5	21.4	**26**	16.8	**26**
Standard Oil Indiana	18.4	**28**	22.8	0.3	15.9	**21**	13.6	7.3	18.6	**34**	15.5	**31**
Shell Oil	17.6	**29**	20.9	0.4	13.0	**24**	13.0	7.7	17.4	**41**	17.2	**24**
Murphy Oil	17.5	**30**	26.8	0.5	15.7	**36**	10.3	7.7	17.6	**40**	15.8	**30**
Tesoro Petroleum	17.5	**31**	64.4	0.5	31.1	**35**	10.6	3.8	36.2	**9**	–4.4	**42**
Union Oil California	17.4	**32**	21.0	0.4	14.3	**28**	12.0	6.3	15.1	**43**	12.3	**34**
Tenneco	17.1	**33**	18.8	0.7	10.6	**39**	9.7	5.4	17.7	**38**	9.0	**39**
United Refining	16.9	**34**	14.5	0.5	10.6	**30**	11.8	1.6	20.1	**29**	15.9	**28**
Getty Oil	16.9	**35**	24.7	0.0	20.0	**20**	13.9	9.5	17.7	**39**	20.1	**20**
Suburban Propane Gas	15.6	**36**	18.1	0.6	11.0	**41**	9.6	3.1	20.8	**28**	11.0	**35**
American Petrofina	15.6	**37**	23.9	0.7	16.1	**31**	11.4	5.3	18.4	**35**	7.2	**40**
Empire	15.5	**38**	15.9	0.8	10.6	**38**	9.7	1.8	28.3	**17**	17.3	**23**
Kerr-McGee	14.2	**39**	14.6	0.3	10.2	**34**	10.8	5.2	17.8	**37**	10.8	**36**
Quaker State Oil	14.1	**40**	11.5	0.4	8.0	**40**	9.6	3.2	21.8	**24**	3.1	**41**
Cities Service	14.0	**41**	21.4	0.4	14.3	**37**	10.0	6.4	17.9	**36**	14.5	**32**
Valero Energy	10.8†	**42**	24.2	0.4	12.2	**42**	6.2†	3.0	19.7‡	**31**	D–P	
Commonwealth Oil Rfg	def	**43**	def	2.1	def	**43**	def	def	13.2	**44**	P–D	**43**
Coastal Corp	**		21.0	1.1	8.7		**	2.1	38.5‡	**6**	10.0‡	**37**
Medians	**21.5**		**25.0**	**0.5**	**15.8**		**13.6**	**5.7**	**22.5**		**19.8**	
Coal												
North American Coal	16.9%	**1**	17.2%	4.9	5.9%	**5**	6.8%	3.2%	16.9%	**2**	18.8%	**1**
St Joe Minerals	15.1	**2**	16.7	0.3	11.8	**1**	12.0	7.2	18.5	**1**	4.1	**3**
Pittston	13.4	**3**	11.9	0.1	9.6	**2**	11.3	4.0	11.0	**4**	–0.8	**4**
Eastern Gas & Fuel	12.9	**4**	14.6	0.5	8.8	**4**	7.8	5.9	13.2	**3**	7.1	**2**
Westmoreland Coal	8.3	**5**	def	0.4	0.4	**3**	8.5	def	7.8	**5**	–9.6	**5**
Medians	**13.4**		**14.6**	**0.4**	**8.8**		**8.5**	**4.0**	**13.2**		**4.1**	
Industry medians	**19.3**		**24.7**	**0.5**	**15.7**		**13.3**	**5.7**	**20.8**		**17.2**	
All industry medians	**15.8**		**16.1**	**0.4**	**11.0**		**11.1**	**5.0**	**14.3**		**13.9**	

Note: Explanation of Yardsticks calculations on page 49. †Four-year average.
‡Four-year growth. P-D: profit to deficit. D-P: deficit to profit, not ranked. def: deficit. **Not available; not ranked.

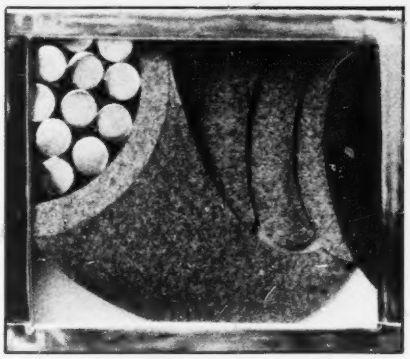
and they don't care too much about size."

In any supply shortage, the majors point out, they won't necessarily be able to wipe out their competition or gain large market shares even if they wanted to, just because they have their own source of supply. Says Paul Premo, head of the regulatory staff at Standard Oil of California: "We can't just dip in and say we're going to enter a new market or penetrate deeper into a market. We don't have the crude." He and his counterparts obviously are fully aware that if the independents don't get their way they may join the so-called consumer lobby in advocating divestiture. That explains why John McKinley, chairman and CEO of Texaco, was making speeches recently, saying, "The industry should avoid intramural disputes and try to present a unified front."

So far, however, there's no sign of that united front. Except, maybe, where the teapots are concerned. Senator Bennett Johnston (D–La.) represents the region where a good many of the teapots are located. Last year he introduced legislation that would have given small refiners—and consequently the teapots—loan guarantees. This year he will probably again call for loan guarantees to get small refiners to upgrade, but his office says teapots will be left out in the cold. Most refiners, integrated or not, are also keeping their distance. "Those teapots have given the industry a shiner," says Jim Gavin, CEACO executive director. "They saw an opportunity to get rich, and now they're flying around in Learjets. We feel we cannot march side by side with them."

It's been predicted that refining policy—the question of some alternative to entitlements and the small refiner bias—will be the hottest energy issue in Congress this year. That may or may not turn out to be true. But it seems clear that decontrol will provide a test for the new conservative majority. To what extent will it come out on the side of a free market and to what extent will it protect Big or Little oil at the expense of consumers and taxpayers? At this point, that is anyone's guess.—**Jean A. Briggs with Jeff Blyskal**

For the aluminum industry, overexpansion is a thing of the past. Isn't it?...Isn't it?



Aluminum

A YEAR AGO CORNELL MAIER, chairman of Kaiser Aluminum & Chemical Corp., dismissed overexpansion in the aluminum industry as a thing of the past. "Never again," said he; the Eighties would be the decade of the shortage. Where in the past the industry might have been tempted to overexpand, it'll be prevented from doing so, Maier argued, mainly because of expensive power. But to judge by the expansion programs announced last year, one had to wonder.

Alcoa, the leading U.S. producer, proposed a five-year, $4 billion capital program. Montreal-based Alcan Aluminium Ltd. will weigh in with nearly $4 billion for the same period. Reynolds Metals Co. proposes to spend $230 million a year in the early Eighties; Kaiser, $4 billion through 1989. In October Kaiser's treasurer predicted that during the Eighties, the world aluminum industry would spend $100 billion on new capacity and another $40 billion to enlarge existing plants.

For most of the Seventies too much production and not enough demand accounted for aluminum's insufferably erratic profits. Came the boom of 1978 and 1979, however, and the balance tightened, so that when the U.S. recession finally hit in the second half of 1980 the Big Four were protected from the kind of surplus-ridden bloodbath that cut their earnings by an average 51% in 1975. This time around, Alcan wasn't hurt at all, Reynolds and Kaiser were up slightly, and only Alcoa declined, its earnings off more than 10% because of an overseas strike, trouble at another foreign plant, an accounting change and misjudgment of demand in the aerospace market. Flush with confidence, the aluminum makers are expanding again.

It's bound to be rougher in 1981. As the U.S. turns around, Europe and Japan will slump, so that metals analyst Peter Merner of L.F. Rothschild, Unterberg, Towbin estimates profits for the group could be down 22%. But in 1982 and 1983, demand, prices and profits should recover to record levels.

But plenty of industry executives aren't as positive as Cornell Maier that recovery isn't going to bring on another surfeit of capacity—for instance, David Culver, chief executive of Canada's Alcan. His company is spending $425 million to bring on 188,000 tons of new smelter capacity by 1982 in Grand Baie, Que. It has also talked about adding 200,000 tons and more at its giant Kitimat, B.C. operation as well as building a new Grand Baie-size smelter in Manitoba.

With 75% of his output in Canada, Culver holds a tremendous edge over American competitors because of all the cheap hydroelectric power at his disposal. According to J. Clarence Morrison of Dean Witter Reynolds, in Canada it costs Alcan around 5 cents of energy to produce a pound of aluminum, *vs.* 14 cents for firms in the U.S. And that advantage is certain to be sustained. "Even so," admits Culver, "frankly, I'm afraid of overbuilding. Suppose we did. Since we have lower production costs, all that would mean is that we'd take longer to go out of business."

Among the top U.S. producers, it is precisely the high cost of energy in the U.S. and Europe—where 62% of total Free World capacity is located—that has driven them to expand in places such as Brazil and Australia. Alcoa has a $1 billion project under way on the north coast of Brazil, Reynolds is pumping $550 million into a joint venture in Australia. These countries are rich in bauxite *and* cheap power; production there costs 4 cents to 7 cents of energy per pound. Local demand is small, if fast growing—in Brazil per capita consumption of aluminum is 5 pounds, *vs.* 60 pounds in the U.S.—but such countries also serve markets like Japan, where 45-cents-per-pound electric bills have shut down 40% of the aluminum industry.

"Going international was always our long-term strategy," says Charles Parry, Alcoa's executive vice president for primary products. "The rapid, uninterrupted rise in American power costs just lit more of a fire under us. The result is that now it's helped to locate us where we want to be, in the Nineties."

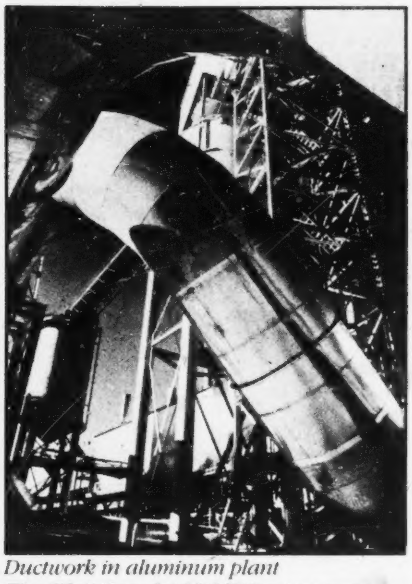
Aluminum

Yardsticks of management performance

	Profitability								Growth			
	Return on equity			Return on total capital					Sales		Earnings per share	
Company	5-year average	5-year rank	latest 12 months	debt/equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
Alcan Aluminium	18.4%	1	26.4%	0.3	17.2%	1	12.3%	10.7%	14.6%	1	28.1%	1
Alcoa	16.6	2	20.2	0.4	14.3	2	11.0	9.9	14.3	2	26.0	2
Kaiser Alum & Chem	16.4	3	22.7	0.5	13.3	3	9.5	8.5	14.2	3	23.2	4
Reynolds Metals	13.0	4	16.4	0.7	9.7	4	7.5	5.4	13.9	4	23.4	3
Industry medians	**16.5**		**21.5**	**0.5**	**13.8**		**10.3**	**9.2**	**14.3**		**24.7**	
All industry medians	**15.8**		**16.1**	**0.4**	**11.0**		**11.1**	**5.0**	**14.3**		**13.9**	

Note: Explanation of Yardsticks calculations on page 49.

Meanwhile, the danger of the next few years' shortage turning quickly into oversupply has far from disappeared. "There's a lot of talk about whether or not the U.S. recession is over," says Culver of Alcan. "People constantly refer to various curves—Vs, Us, Ws, saucers and so forth. I'm pretty sure the best scenario for our industry, in plain English, would be a slow, steady recovery, nothing too dramatic. On the other hand, if aluminum prices start going through the roof, it could lead to mistakes in long-range planning."



Ductwork in aluminum plant
The Eighties: $140 billion to expand.

Here's how Culver thinks it could happen. Since 1976 ingot prices, which account for about 20% of the Big Four's sales, have been steadily on the rise—from an average of 53 cents a pound in 1978 to 71 cents a pound in 1980, and an estimated $1 by 1984. But suppose, Culver says, the industry takes advantage of a shortage to chase profits, and raises that price even higher. According to Culver, $1.25 isn't so farfetched because ingot briefly hit this mark on the spot-metals market last year. "You give the industry two more years and $1.25 aluminum," says he, "and I guarantee you plenty of people will forget about having been burned by overcapacity before."

In short, higher profits in an industry long starved of profits might encourage North American aluminum producers to risk speeding up expansion and bring on early much of the 700,000-odd tons of new smelter capacity it is estimated will open by 1984 and 1985. "If a downturn takes place soon after," warns David Culver, "well, unfortunately in our business, making hay and making miscalculations go hand in hand. I'm not saying it's going to happen, mind you, I'm just saying watch out."—*Thomas Jaffe*

Robert C. Watts, Jr. State Treasurer

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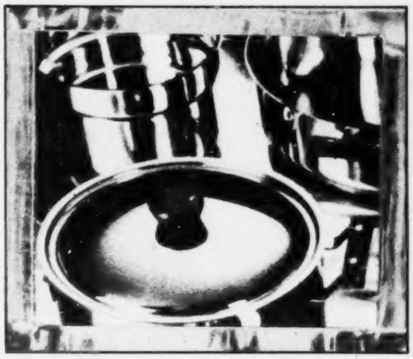
The market for household products has matured along with the baby boom. But new lifestyles are providing a silver lining.



Household goods

IN THE HOUSEHOLD PRODUCTS INDUSTRY, changing demographics contain a warning and a promise. The warning is that with the maturing of the World War II baby boom, new growth is likely to come hard. The promise: New lifestyles, creating larger numbers of smaller households, are also creating new markets and opportunities.

"This is a demographically driven industry, and the demographics have turned negative," says James Waggoner, a household products analyst with Bear, Stearns & Co. Waggoner is referring to the impact that slackening growth in the numbers of prime-age buyers is likely to have on the $9 billion market for major appliances—the refrigerators, washers, dryers and the like that account for more than half of the industry's total sales.

For the last five years, growth in the number of 25- to 34-year-olds—the years when first homes and new appliances are purchased—was 17%. For the next five years, it is projected to slow dramatically, to 10.2%. Population experts expect that by 1990 the number of young adults will have increased by a mere 3% over the figure projected for 1985.

This means that first-time purchases of the seven major household appliances (refrigerators, ovens, washers, dryers, freezers, air conditioners and waste disposals) have seen a declining growth trend since the peak of the early Seventies. But more than that, the replacement market, which accounts for about 60% of all purchases, has been soft—and may continue that way. That's because big-ticket items like appliances are

The Cuisinart complex

Cuisinart king Carl Sontheimer

The appliance industry's traditional markets may be stagnant these days, but the industry has lost none of its traditional ability to develop new products and markets. Take the most spectacular recent success of them all, Carl G. Sontheimer's Cuisinart food processor. With the Cuisinart, Sontheimer not only created a whole new segment of the appliance market, he devised what was one of the most successful marketing strategies in history.

Sontheimer's Cuisinart food processor was the Cadillac of gourmet food processors, high priced, beautifully engineered and perfectly adapted to an affluent market that never realized it craved such a product. But crave it did, and Sontheimer shrewdly capitalized on that by marketing only through the more fashionable stores and then, by accident or design, titillated demand even more by limited supplies. The four Cuisinart models commanded high list prices, between $130 and $650. With demand at fever pitch, retailers initially saw little reason to discount. And a decade after its introduction, Cuisinart retains its cachet as an item of costly conspicuous consumption. It's no accident that in her new movie, *Private Benjamin*, Goldie Hawn hugs a Cuisinart food processor in mourning the death of her husband and the affluent middle-class lifestyle marriage to him had promised.

But while Cuisinart king Carl G. Sontheimer's marketing strategy has helped position top-of-the-line Cuisinarts as an emblem of gourmet status, his tactics have also landed him in court. In September a grand jury in Hartford indicted the privately owned, Greenwich, Conn.-based firm for lateral price-fixing, the first such case since Congress increased lateral price-fixing penalties in the mid-1970s, and the sixth case since it was deemed illegal in 1911.

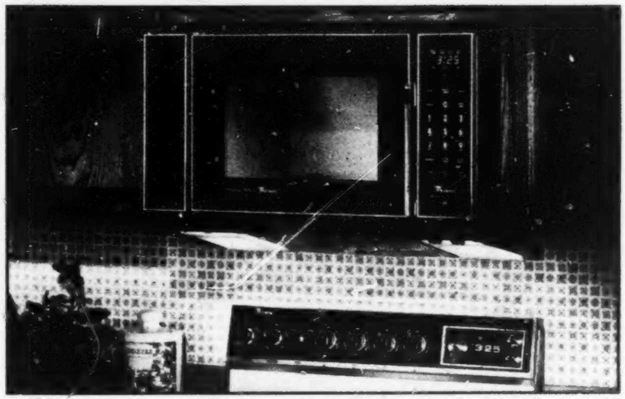
Sontheimer brusquely dismisses the charges and claims Cuisinart's image "depends more on where the products are sold and the people who sell them than the price at which it is sold." He has compiled a list of independent dealers that are reimbursed for dealer ads through Cuisinart's co-op advertising program, even when those ads are at prices below "suggested" retail. A fair amount is at stake. An unfavorable decision could result in a maximum penalty of $1 million for Sontheimer, and would have broad implications for similar cases under Justice Department investigation.

Since Sontheimer first introduced food processors to the American kitchen in 1971, his market share has been shredded by the likes of General Electric, Sunbeam, Waring and Moulinex, who offer processors of varying degrees of quality, safety and convenience for as little as $50 to $140.

Having just parted company with the French outfit that manufactures Cuisinart's original $650 and $130 models, Sontheimer now offers two Japanese imports for $175 and $250, which he says are more popular and of higher quality. All told, more than 20 different brands now carve up the total U.S. market, allocating Cuisinart a shaky 11% to 12%. While overall processor sales reached 3.1 million units in 1980, up 4% from the year before, bargain-brand processors selling for under $50 increased their market share by 7%, *vs.* a mere 1% for the $200-plus variety, according to *Merchandising* magazine.

Sontheimer won't discuss sales figures. But he claims that despite Cuisinart's declining market share, the product is so much in demand that "we're having to allocate goods. We are flying machines in from Japan at a cost of $20 apiece, so we don't have to leave stores in the lurch."

Lawsuit or no, the old strategy would still seem to be working.—Jayne A. Pearl



Unlike most other appliances, microwave oven sales have boomed. ***They're short on cooking time, long on convenience.***

among the first to be hit by the decline in discretionary income. "These items are usually replaced every 10 or 12 years," says Edward Arnold, an analyst with Boston-based Eaton & Howard van Sanders. "You can always stretch another two or three years of use, and that has been happening."

Refrigerators are typical of the weakness in white goods. In the year ended October 1979, about 5 million refrigerators were sold. In the 1980 year, consumers bought just 4.5 million, down 10.3%. Automatic washers and dryers are in a similar slump, with total sales off 7.7% and 11.7% respectively.

Air-conditioner sales experience seasonal fluctuations. While the unusually hot summer resulted in an explosive sales increase in July from the previous year, sales of air conditioners nevertheless were down 14.8% for the year ended October 1980. Analysts point out, however, that growing numbers of smaller families may be a positive sign. The reason: Operating costs are a major factor, and air conditioners cost less to operate in smaller living quarters.

It is these smaller quarters, necessitated by smaller families or more working women living alone, that will provide the silver lining for the industry. The average household now contains just 2.75 people *vs.* 3.33 in 1960; at the same time, the number of single-person households is nearly triple what it was 20 years ago. Over half of all women now work, a phenomenon most expect to continue.

One result has been a new market for appliances that maximize convenience. The shorter cooking time of microwave ovens is a prime example. "The whole notion of convenience is epitomized by the boom in microwave ovens," says Waggoner of Bear, Stearns. Sales figures are dramatic: Last year, when sales of other major appliances declined, a record 2.8 million microwaves were sold, up 31% from less than 2.2 million in 1979.

Household goods

Yardsticks of management performance

	Profitability								**Growth**			
	Return on equity			Return on total capital					Sales		Earnings per share	
Company	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
Appliances												
Maytag	27.6%	1	24.5%	0.0	23.3%	1	26.7%	11.0%	9.6%	4	10.1%	5
General Electric	20.3	2	20.2	0.1	18.1	2	18.1	6.1	11.4	3	12.2	3
Whirlpool	18.1	3	13.9	0.1	12.7	3	15.6	4.2	6.3	7	10.9	4
Scovill	17.5	4	12.8	0.8	8.9	4	12.0	2.8	7.5	5	36.2	1
Sunbeam	13.0	5	12.0	0.3	9.9	6	10.5	3.3	12.3	2	9.4	6
Hoover	12.2	6	15.2	0.1	12.3	5	10.7	4.3	6.6	6	5.3	7
Magic Chef	11.1	7	1.8	0.6	3.7	7	10.2	0.7	15.3	1	14.4	2
Singer	7.7	8	10.6	0.8	6.3	9	5.7	1.2	1.3	9	D–P	
Zenith Radio	7.7	9	10.1	0.4	7.7	8	6.7	2.4	4.1	8	–9.6	8
Medians	**13.0**		**12.8**	**0.3**	**9.9**		**10.7**	**3.3**	**7.5**		**10.5**	
Housewares and furnishings												
Insilco	16.8%	1	16.8%	0.6	9.5%	4	10.0%	4.6%	8.2%	4	12.5%	4
Black & Decker	16.3	2	17.5	0.2	15.0	1	13.4	6.3	17.0	2	14.7	2
Stanley Works	15.5	3	14.0	0.3	12.2	2	12.5	5.1	11.8	3	14.4	3
Toro	14.5	4	def	0.7	def	3	11.6	def	18.4	1	9.6	5
Roper Corp	11.9	5	4.0	0.7	4.7	5	8.9	1.2	7.3	6	18.3	1
Mohasco	5.3	6	1.8	0.7	3.1	7	4.7	0.5	7.6	5	–4.8	6
Talley Industries	4.1	7	def	1.1	def	6	4.9	def	5.5	7	–16.7	7
Medians	**14.5**		**4.0**	**0.7**	**4.7**		**10.0**	**1.2**	**8.2**		**12.5**	
Housekeeping products												
Procter & Gamble	19.4%	1	19.1%	0.2	14.8%	2	15.0%	5.9%	14.4%	3	12.0%	2
Clorox	19.3	2	15.4	0.2	13.1	1	15.2	5.2	12.2	5	7.4	5
Economics Laboratory	17.5	3	16.9	0.6	12.2	3	13.5	5.3	16.3	1	15.0	1
Purex Industries	15.0	4	14.5	0.2	11.3	5	11.3	4.1	7.4	6	8.6	4
Colgate-Palmolive	13.9	5	9.7	0.3	8.1	4	12.2	2.3	14.4	2	5.5	6
Scott Paper	11.4	6	12.6	0.4	9.2	6	8.4	6.3	12.3	4	11.8	3
Medians	**16.3**		**15.0**	**0.3**	**11.8**		**12.9**	**5.3**	**13.4**		**10.2**	
Industry medians	**14.8**		**13.4**	**0.4**	**9.7**		**11.5**	**4.2**	**10.5**		**10.9**	
All industry medians	**15.8**		**16.1**	**0.4**	**11.0**		**11.1**	**5.0**	**14.3**		**13.9**	

Note: Explanation of Yardsticks calculations on page 49.
D-P: deficit to profit; not ranked. def: deficit.

How Western flexible staffing cuts personnel costs

"A shifting economy means shifting personnel needs… I can call Western at night and have qualified help by morning."

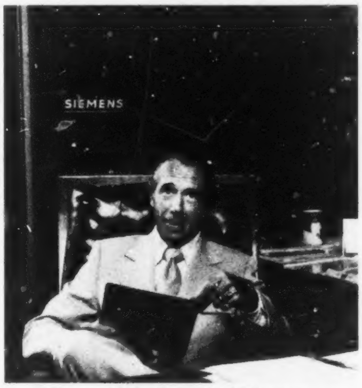
A company with an international reputation like Siemens Corporation has high personnel standards to maintain. When the economy waxes and wanes as it has in recent months, Personnel Director Henry G. Matz, at Siemens' Cherry Hill, N.J., Electronic Systems Division, relies on Western Temporary Services to meet fluctuating company demands. Temporaries help him test the need for new positions before establishing them as permanent ones. This is standard personnel procedure for Mr. Matz.

"We find it economical to take care of an immediate need with Western temporaries and then if the need persists, we fill the position with a permanent person. That way we can count on having the qualified help we need when we need it without the usual costs associated with hiring permanent personnel . . . recruiting, screening, and benefits. Western takes care of all that."

Like personnel directors of other large companies, Matz has to contend with peak demand times as well as with slack periods in a constant adaptation to a changing economy. He must provide continual quality coverage on a day to day basis in spite of planned and unplanned personnel variations.

"When I'm in a bind, I rarely have a week to find someone and train him," says Matz. "What I like about Western is that even if I call at 5 p.m., we get the qualified people we need by 7:30 the next morning."

Over the past year alone Siemens has used more than 100 Western temporaries in 30 different job classifications ranging from technical typists to assistant bookkeepers…from file clerks to computer terminal operators . . . from warehouse workers to assemblers.



Henry Matz, Personnel Director, Electronics Systems Division, Siemens Corp.

"Western's shown a thorough understanding of our needs," says Matz. "And, I've always gotten extra cooperation when I've needed it. The fact is, Western's people consistently keep our Siemens' managers and supervisors satisfied . . . there's been complete integrity in our business relationship – that's for sure!"

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Divisions Clerical (Western Girl) Marketing Medical Technical Industrial Sentry Santa Photo

Microwaves usually have a smaller capacity than ordinary ovens, a trend that may extend to other appliances as well. Some analysts predict a new market for downsize appliances, such as smaller-capacity refrigerators and ranges, that will gradually be phased in by the major manufacturers.

The trend toward smaller households is also reshaping buying patterns for small electrics, a $5 billion annual market. It has boosted sales of apartment-size electric mixers, coffee makers and food processors *(see box, p. 86)*. Sales have also mushroomed for what Waggoner calls "Me-generation gadgets": shower massages, hot tubs and other gimmicks that people see as a means of self-expression. "The single person wants to be entertained [at home]," Waggoner says. "These things are the nth degree of American materialism."

Refrigerators are typical of the weakness in white goods. In the year ended October 1979, about 5 million were sold; in 1980, consumers bought just 4.5 million, down 10.3%. Automatic washers and dryers are in a similar slump.

But despite such pockets of brightness, the bottom line for the biggest segment of the industry remains bleak. With interest rates inching up to last April's peak, 1980 estimated housing starts at a low 1.22 million, compared with 1979's 1.75 million, and a bigger chunk of income going for things like food and fuel, analysts are chary of predicting an upswing in major-appliance sales at least through the first half of 1981. After that, even with a full economic recovery, there are those ominous demographics. As a result, Arnold notes a gradual liquidation "almost down the line" of big household products companies in institutional and pension fund portfolios.

For the investor who still wants to make a play in the industry, the "silver lining" companies are the place to look—firms making smaller items that have been moving well. Rubbermaid, which makes an array of plastic appliances in the $2-to-$5 range, is a current favorite. Scovill, a manufacturer of household gadgets, is another.

The investor who wants to ride the microwave boom will have a difficult time. Virtually all the leading microwave manufacturers, such as Amana and Litton, also make less-sought-after appliances. This means the investor will have to buy the bad with the good. For his part, Waggoner is not recommending any of the big white goods companies to his clients.—**Carol E. Curtis**

Coal has begun to boom for the railroads again, but the question is: Just how much of these gains in traffic can be converted into corresponding gains in profit?

Railroads

IN THE SIXTIES, the collapse in the eastern railroads' coal traffic probably did more than anything else—including mergers and mismanagement—to plunge the eastern roads into bankruptcy. These days, however, coal offers the industry's best hope of becoming a major moneymaker again. Coal has maintained the blue-chip character of traditional carriers like Chessie, Norfolk & Western and Southern even during the slump. It has already transformed western roads like the Union Pacific, Burlington Northern and Santa Fe into something like growth companies, and it's converted the Kansas City Southern into a decent moneymaker again. The stock market has taken notice. Value Line rail index has nearly doubled over the past two years, *vs.* a 40% gain in the VL composite index.

Coal provides 32% of the railroads' tonnage, three times as much as second-place farm products. The railroads move two-thirds of the U.S.' 825 million-ton coal production. And the prospect is for continued expansion. The National Coal Association is talking about a 4.2% average annual growth in output, to 1.25 billion tons in 1990, and a recent Department of Transportation-Department of Energy report predicts Appalachian coal traffic will nearly double its 1975 levels by 1990—to 600 million tons—while western coal traffic should go from 1975's 97 million tons to 625 million.

To meet this expected upsurge in demand, the rairoads are pouring hundreds of millions of dollars into coal-hopper cars, heavy track on mine routes and export piers. Burlington Northern, for example, has spent $1 billion in the past five years to increase its coal-hauling capacity out of Wyoming's Powder River Basin. Chicago & North Western wants to invade Burlington's coal territory with the help of a $300 million federal loan guarantee. Even Conrail, the government-subsidized railroad that gets only a seventh of its revenues from coal, has bought 5,500 hopper cars since 1977 and is investing $25 million in a coal-pier project in Philadelphia. All told, that same DOT-DOE study predicted, the industry will spend $4.5 billion between 1975 and 1990 on new cars and locomotives, as much more renewing old track and building new.

It's quite a change from the Sixties, when the utilities were switching to oil to meet the government's environmental demands and the railroads were vigorously cutting rates in the hope of holding the traffic. So far the upsurge has been limited to the West where a new coal region is opening up, to the South where utilities have been replacing natural gas and oil with coal, and to the export market, which last year began taking utility coal for the first time.

As these markets begin to boom, the government is forcing power plants to switch back to coal in the name of energy policy, so that some of the railroad's lost business will return. The federal coal-conversion program should increase coal traffic by 4.4%, says a study by the Association of American Railroads. "We're optimistic," says Warren Barber of Conrail's coal-hopper group, "but the political arena is such that it's probably going to be 1984 or 1985 before some of these facilities are converted." The first for Conrail, a New England

Railroads

Yardsticks of management performance

	Profitability								**Growth**			
	Return on equity				**Return on total capital**				**Sales**		**Earnings per share**	
Company	**5-year average**	**5-year rank**	**latest 12 months**	**debt/equity ratio**	**latest 12 months**	**5-year rank**	**5-year average**	**net profit margin**	**5-year average**	**5-year rank**	**5-year average**	**5-year rank**
Chic & North Western	27.1%	**1**	45.9%	2.2	10.2%	**6**	6.6%	4.0%	10.8%‡	**6**	20.8%‡	**3**
Missouri Pacific	26.7	**2**	21.8	1.1	10.9	**1**	11.2	8.0	14.2‡	**4**	18.7‡	**5**
Union Pacific	13.3	**3**	15.6	0.3	10.3	**2**	8.9	8.6	19.5	**1**	21.0	**2**
Southern Railway	12.9	**4**	14.3	0.6	8.1	**4**	7.4	10.6	10.6	**7**	13.3	**9**
Norfolk & Western Ry	12.6	**5**	15.1	0.3	9.5	**3**	7.4	13.6	5.9	**11**	18.9	**4**
Santa Fe Industries	10.4	**6**	13.3	0.3	8.9	**5**	7.2	9.0	13.4	**5**	14.3	**7**
IC Industries	9.8	**7**	10.2	0.7	5.7	**7**	6.1	2.7	19.4	**2**	13.3	**8**
St Louis-San Fran Ry	8.0	**8**	10.3	0.8	6.3	**9**	5.1	5.3	9.4	**8**	14.5	**6**
Burlington Northern	7.2	**9**	10.7	0.5	7.0	**8**	5.2	5.5	14.9	**3**	25.5	**1**
Southern Pacific	6.9	**10**	7.1	0.6	4.8	**10**	4.9	5.3	8.7	**10**	6.4	**10**
CSX	**		**	**	**		**	6.7	9.2‡	**9**	6.1‡	**11**
Industry medians	**11.5**		**13.8**	**0.6**	**8.5**		**6.9**	**6.7**	**10.8**		**14.5**	
All industry medians	**15.8**		**16.1**	**0.4**	**11.0**		**11.1**	**5.0**	**14.3**		**13.9**	

Note: Explanation of Yardsticks calculations on page 49.
‡Four-year growth. **Not available; not ranked.

Electric plant in Massachusetts, will switch over one boiler next year.

The overriding question, of course, is just how much of these gains in traffic can be converted into higher profits for the railroads. "The railroads ought to participate in the prosperity of the coal industry," says John P. Fishwick, chairman of the Norfolk & Western. But so far the railroads haven't caught up with the coal companies. Over the past decade, coal freight costs have increased only 175% *vs.* 300% for the coal itself, so there ought to be plenty of room for railroad profits to expand, if only enough utility furnaces can be found to burn the stuff. That, of course, is the rub. For though coal costs are only $2 per million Btus to oil's $6, the utilities would still rather burn oil. Oil is much easier to handle and is less likely to bring environmentalists down on the utilities.

Along with the prospect of more revenues, the so-called deregulation bill, signed into law in October, has roused cautious hopes in the industry. The bill gives the roads the freedom to raise their tariffs by up to 6% a year above the inflation rate for several years. While the procompetition thrust of the bill might actually cause some rail rates to fall, coal should, on paper, be a good target for increases, as most of the railroads' coal business is not exposed to competitive attack by trucks and barges. The problem is that higher coal-hauling rates are quickly translated into higher electric rates and higher electric rates mean trouble with consumers and politicians. The deregulation bill, in fact, was all but stopped dead last summer by a dispute between the San Antonio, Tex. municipal electric company and Burlington Northern. "Coal is the politically most sensitive commodity, and least likely to have any [rate] change whatever, initially," says Robert D. Long of First Boston Corp. Still, it's hard to see how the industry can fail to come out somewhat ahead.

Even if coal traffic itself yields disappointing profits, there's another angle to the energy/rail play: Higher diesel fuel prices, which have increased tenfold over the last decade, widen the rails' competitive advantage over trucks on other shipments. The trains claim a 4-to-1 advantage in fuel costs.

Still more intriguing are the direct energy investments of many rail holding companies. Burlington Northern, which got 28% of freight revenues in 1979 from coal, also owns nearly 15 billion tons of coal reserves. Union Pacific draws half its revenues from oil and gas operations, and has 10 billion tons of coal. Santa Fe, Chessie and N&W all have some coal reserves. The industry, it seems, would be hard pressed not to make a buck off the nation's continuing energy crisis somewhere.—**William Baldwin**

The Conrail conundrum

Back in 1975 the Final System Plan of the U.S. Railway Association predicted that by 1979 Conrail would be making a profit and paying dividends on the stock distributed to creditors of its bankrupt predecessors. What happened was that Conrail lost $178 million in 1979, and as much as $240 million in 1980.

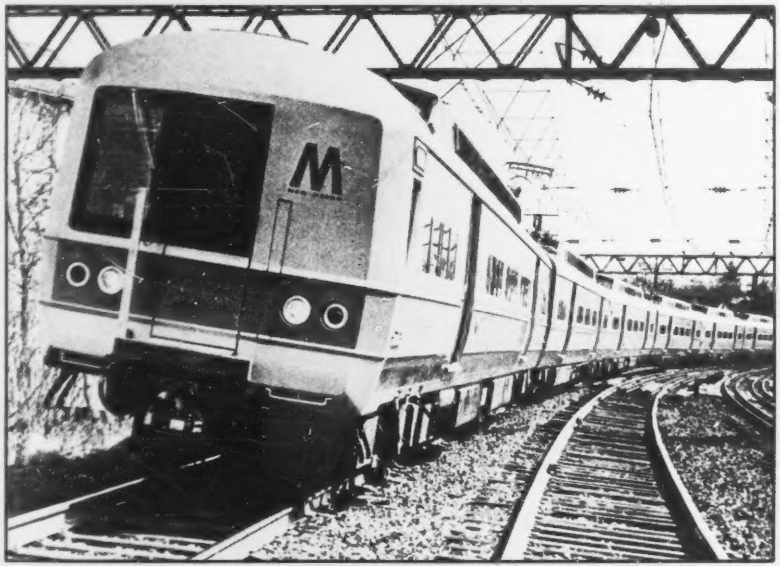
The 1975 plan, says Stephen Berger, the new USRA chairman, was "way too optimistic," especially in assumptions about freight volume. It assumed that tonnage would climb to 314 million by 1980; in actuality it fell 14%—to under 240 million. Thus, while employment is down 20% from 100,000 when the plan was put out, freight traffic has fallen almost commensurately, and the expected productivity gains have been elusive as Conrail continued to pay labor the concessions it agreed to as the price of the original Penn Central merger. A $250 million fund for severance pay (many employees were guaranteed the equivalent of lifetime employment) was quickly exhausted and Congress had to add $235 million to it in last year's deregulation bill.

The USRA, which oversees federal subsidies to the rail industry, hasn't written Conrail off as hopeless. That's not its job. One part of the solution is, as it has always been, to eliminate trackage, both on low-density branch lines and duplicative main lines. Berger is unwilling to put a figure on track abandonment, but some railroadmen have talked about doing away with a third of Conrail's 17,000 miles. The other part of the solution is rate adjustments. Conrail is losing money on 20% to 30% of its traffic, according to Edward G. Jordan, the line's outgoing chairman. Finally, says Berger, "In addition to stripping the system down, you've got to take an enormous load off their backs" by transferring responsibility for commuter trains to local transit agencies.

Conrail will never have the freight volume that its components (primarily the Penn Central) once had, even with a long-hoped-for resurgence in coal traffic to northeastern utilities. Non-utility demand has slipped too much. But the North is not dead; in 1985, says Berger, Conrail's territory will still account for 47% of the nation's industrial output.

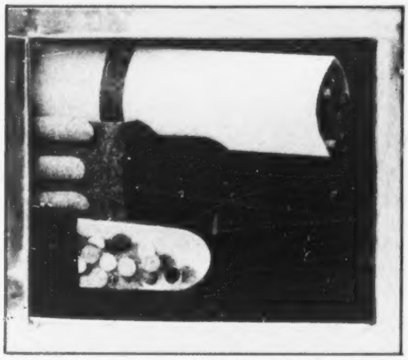
Can Conrail ever untangle itself from the political pressures that force it to retain unprofitable branch lines or the assortment of Amtrak and commuter trains that get underfoot? Perhaps not. "Nobody can make a buck in there," says Norfolk & Western Chairman John P. Fishwick. "It's like spaghetti."

In a report on Conrail's outlook due in Congress this spring, the USRA will probably disagree with this gloomy prognosis, but Fishwick is probably right. Nevertheless, one thing seems clear: Conrail cannot be dispensed with as the Northwest is dispensing with most of the Milwaukee. Without Conrail, the industrial economy of the territory it serves would come to a halt.—W.B.



A Conrail commuter train en route from Grand Central to New Haven
Around New York, Conrail has shifted such operations to local agencies.

The shift of consumers toward low-tar brands and the more rapid growth of consumption abroad leave no doubt that the cigarette market is worth going after.



Tobacco

AFTER YEARS OF DIVERSIFICATION, carried out with varying degrees of success, the U.S.' major tobacco companies have come back to their original proposition—that there's no opportunity like the tobacco industry itself. Not that anyone has illusions that tobacco is a growth industry. For years the growth in total U.S. consumption of cigarettes has been bumping around the 1% or 2% level, and last year wasn't markedly different. But despite the years of health scares, some growth still remains, and cigarettes are foremost among the most profitable and vital consumer products in the world. With a five-year average return of better than 20%, tobacco is one of the three or four most profitable businesses in all U.S. industry, on a par with aerospace and electrical equipment and second only to broadcasting.

"Although the overall size of the U.S. cigarette market will be stable during the coming years," says Edward Horrigan Jr., head of R.J. Reynolds' domestic cigarette company, "that still gives us a 400-billion-cigarette market to crack—namely, the business held by our competitors. There are opportunities if you can anticipate the wants of the smoking public. In the past 12 months our company has made long-range commitments amounting to well over $1 billion, an extraordinary sum of money. It demonstrates our conviction that this is not a dying industry."

Most of that $1 billion is being spent on capital improvements and expansion of its U.S. cigarette operation. The U.S. front-runner, with a 33% share of the market, Reynolds is building two big new plants and expanding another in Winston-Salem, N.C. Furthermore, Reynolds has recently upped its ad budget by 14% to around $250 million, outspending archrival Philip Morris by almost a cent a pack.

Philip Morris has already demonstrated what a bonanza the domestic market can be to a canny marketer by almost doubling its market share (to 30%) over the last decade. Philip Morris spent $850 million last year and is projecting close to $3.5 billion through 1984. Some of that will go for Miller beer and 7UP, Philip Morris' other main products. But by far the bulk will be for equipment and new factories to produce its cigarette brands. The company claims that "one of our primary needs now is to expand our production facilities to meet the current and projected demand for our products." The result of such modernization and expansion has been a steady reduction in per-unit production costs throughout the industry (and especially at Philip Morris); and this, in conjunction with price increases, makes cigarettes even more profitable these days than they used to be.

Where is the output of all those new facilities going to go? Into one of the most hotly competitive segments of the industry: low-tar (15 mg. or less) and ultra low-tar (6 mg. or less) cigarettes. The lesson of what happened recently to Lorillard hasn't been lost on the industry. Back in 1975 Lorillard decided to reformulate its brands to make them milder and to aim at the low-tar market that was emerging. At the time this was quite a daring move, apart from the fact that Lorillard was putting almost all its eggs (five low-tar brands accounting for 80% of its market) in one basket. Back then, low-tar brands were looked upon as pallid and tasteless, but Lorillard took the gamble because its share of the market had declined to 8%.

Intimidated by the health hazard cigarettes pose, many smokers decided to smoke lighter rather than quit, and Lorillard, pushing its Golden Lights, Kent III and Triumph, was one of the prime beneficiaries of their decision. According to John Maxwell Jr., of Lehman Brothers Kuhn Loeb, the low-tar market has increased from 17.1% of total cigarette sales in 1976 to almost 50% today. Lorillard's market share, because of its aggressive positioning in this booming seg-

Tobacco

Yardsticks of management performance

	Profitability								**Growth**			
	Return on equity			**Return on total capital**					**Sales**		**Earnings per share**	
Company	**5-year average**	**5-year rank**	**latest 12 months**	**debt/equity ratio**	**latest 12 months**	**5-year rank**	**5-year average**	**net profit margin**	**5-year average**	**5-year rank**	**5-year average**	**5-year rank**
Loews	23.8%	1	24.1%	0.7	11.8%	4	10.5%	5.0%	25.4%	1	27.6%	1
Philip Morris	23.6	2	24.7	0.9	13.6	2	13.7	6.4	20.8	2	20.2	2
R J Reynolds Inds	20.5	3	21.6	0.3	14.7	1	14.8	6.7	15.8	3	9.4	4
American Brands	18.7	4	26.2	0.3	17.6	3	13.2	6.3	9.7	4	13.1	3
Culbro	def	5	def	1.6	def	5	1.3	def	7.2	5	P–D	5
Industry medians	**20.5**		**24.1**	**0.7**	**13.6**		**13.2**	**6.3**	**15.8**		**13.1**	
All industry medians	**15.8**		**16.1**	**0.4**	**11.0**		**11.1**	**5.0**	**14.3**		**13.9**	

Note: Explanation of Yardsticks calculations on page 49.
P-D: profit to deficit. def: deficit.

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Cigarette inventory at Philip Morris' plant in Richmond, Va.
"Our competitors' market share represents our best opportunity."

ment, is now verging on 8% of low tars, 10% overall. (A one-percentage-point gain adds roughly $130 million to a cigarette company's sales.) That makes Lorillard one of only two major tobacco manufacturers (Philip Morris is the other) to significantly increase its share of the market.

Now that Lorillard has shown the wisdom of the strategy, the low-tar market has gotten crowded. Brown & Williamson, a subsidiary of Britain's B.A.T Industries, the largest cigarette maker in the non-Communist world, has recently introduced its ultra low-tar Barclay brand. After flopping with Barclay's predecessors, Fact and Arctic Lights, B&W is spending an estimated $150 million on this launch, which includes giving away free cartons of the brand. American Brands' Carlton, with a 2.7% share of the total cigarette market, has a 33% share of the ultra low-tar market. R.J. Reynolds' Now brand is second. Already things are stiffening up where the money is to be made. Philip Morris' Cambridge brand, introduced last year, has encountered resistance despite over $60 million in advertising and promotion. Undaunted, Philip Morris is test-marketing a similar brand, Merit Ultra-Lights, in Des Moines and Sacramento.

The growth rate, and the competition, will be even stronger abroad, where some 3.8 trillion cigarettes were smoked last year *vs.* about 620 billion in the U.S. Outside the U.S. the growth rates still climb 3% to 4% annually, and to 5% and above in some developing countries. The major manufacturers won't let go of an opportunity like this, the rationale for much of their plant expansion. Philip Morris International, with 160 brands in 170 countries, sells about 20% more cigarettes a year than does its domestic operation. In such markets as Italy, Switzerland and Australia, Philip Morris' share amounts to about 30%.

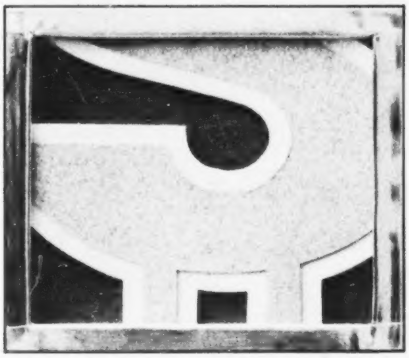
Reynolds also has high hopes for international sales, particularly in Europe, which takes 32% of RJR's international tobacco volume. Right now it's pushing its established brands as well as marketing and distributing the Imperial Group's John Player and John Player Special. Reynolds has only 2.2% of the world market, *vs.* over 6% to Philip Morris. Working on the theory that your competitors' market represents your best opportunity for growth, that gives Reynolds plenty of market to go after.

Another market where the major manufacturers have barely begun to make inroads is Asia. But that situation is about to change. Well over half of worldwide cigarette consumption occurs in Asia, the second-largest market in this region being Japan. Because of prohibitive import tariffs, American cigarette producers have been able to carve out only minuscule positions in Japan. But now Japanese trade officials have expressed willingness to offer a 50% reduction in present duty levels, which should greatly encourage American penetration of this market.

For the next several years the major manufacturers are going to be battling one another with even more savagery than usual. There'll be opportunity, if not exactly happiness, in their own backyard.—**Steven Flax**

Wall Street boomed in the 1960s, almost went under in the 1970s and now is thinking bigger than ever for the 1980s.

Brokerage



BATTERED AND BLOODIED THROUGHOUT THE 1970s, Wall Street is now counterattacking. The targets are the nation's commercial banks, insurance companies and such "near-banks" as Sears, Roebuck and American Express. Brokerage houses want to break out of their traditional businesses and begin to provide every kind of financial service imaginable to consumers.

In the view of Sanford I. Weill, chairman of Shearson Loeb Rhoades, brokerage houses are rapidly diversifying into "one-stop financial supermarkets." In addition to serving an individual's every banking, insurance, investing and credit need, such supermarkets would handle the buying and selling of homes, the relocation of executives, travel planning and financial services yet to be conceived.

By far the leader of the drive to diversify is industry giant Merrill Lynch & Co., the nation's largest brokerage firm with just over $1 billion in capital. Through its controversial Cash Management Account, Merrill Lynch allows customers to write checks and make Visa card purchases with money available in margin accounts. Merrill helps transferred executives find new homes anywhere in the nation through its network of 3,000 realtors. And once a home is found, the "thundering herd" arranges financing through a local financial institution and then insures the mortgage through its insurance subsidiary. Merrill may also soon join the battle now raging between Citicorp and American Express for the $31 billion traveler's check market; it is considering a tax preparation service to compete head-on with H&R Block.

Despite these moves by Merrill, the "one-stop" shopping envisioned by Weill is still a long way off. The biggest barrier, of course, is the 47-year-old Glass-Steagall Act. The act split the nation's financial system down the middle by separating commercial banking (taking deposits and making loans) from investment banking (underwriting and brokering securities). The separation was mandated during the depths of the Depression because banks, which then participated in two-thirds of all security underwritings, often got rid of junk at their depositors' ultimate cost by sticking it in their own portfolios. The chicanery of such an arrangement prompted an angry public to blame the banks for the Crash.

Bankers claim that Wall Street's diversification drive is largely illegal because it violates Glass-Steagall. Specifically, they charge that funds left in the Merrill Lynch Cash Management Account are deposits and the company is therefore violating the law by acting like a bank. For its part, Merrill Lynch contends that the banking aspects of the program are handled by Bank One, of Columbus, Ohio, which issues the Visa cards and checkbooks used by the firm's customers. So far, Merrill Lynch's position has been upheld by the courts, and the Federal Reserve Board has ruled that the firm has done nothing illegal.

Brokerage firms want to diversify for two big reasons: One is the fact that the stock market's sorry performance during the early 1970s has prompted some 5 million investors to leave the market between 1970 and 1975. "Wall Street obviously wants them back," says one analyst. "And the way to get them back is to offer products that are attractive even when the market is flat or falling."

The second reason is that financial markets are changing drastically. Where once businesses were the chief customers for financial services, today the consumer is—with his bank balances, mortgages, money market funds and other liquid assets. At the moment the market is highly fragmented but everyone expects it to become more concentrated.

Brokerage

Yardsticks of management performance

	Profitability								Growth			
	Return on equity			Return on total capital					Sales		Earnings per share	
Company	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
Shearson Loeb Rhoades	34.3%	1	55.9%	1.1	34.3%	2	20.1%	9.1%	36.0%	1	59.3%	1
E F Hutton Group	25.7	2	38.7	0.3	33.7	1	21.6	6.8	27.8	3	24.3	2
Merrill Lynch	15.3	3	23.0	0.0	23.0	3	15.3	6.5	17.2	6	9.9	5
Paine Webber	14.7	4	5.9	0.7	5.1	6	11.2	0.8	26.1	4	16.0	3
Dean Witter Reynolds	14.4	5	22.5	0.2	19.5	4	14.4	5.1	22.5	5	7.7	6
First Boston	14.2	6	27.5	0.2	24.6	5	14.1	6.6	28.5	2	3.8	7
Bache Group	10.8	7	24.1	0.6	18.7	7	9.4	5.3	16.3	7	14.9	4
Industry medians	**14.7**		**24.1**	**0.3**	**23.0**		**14.4**	**6.5**	**26.1**		**14.9**	
All industry medians	**15.8**		**16.1**	**0.4**	**11.0**		**11.1**	**5.0**	**14.3**		**13.9**	

Note: Explanation of Yardsticks calculations on page 49.

Sandy Weill of Shearson

Eyeing a $100 billion consumer financial services market.

"The consumer financial services market could reach $100 billion by 1990," says Shearson's Weill. Shearson is the nation's second-largest brokerage firm, with capital of just over $400 million. "To date, we only have a $7 billion share of that market."

The drive to diversify is already paying off. In 1979 and 1980, for example, nontraditional activity provided some 10% of Merrill's revenues. For the industry as a whole, return on equity has jumped to a strong 16.1%.

Furthermore, the brokerage industry has begun to solve one of the biggest problems it faced during the Seventies—lack of capital. The capital shortage was a major reason dozens of brokerage firms collapsed or were taken over during the decade. Because surviving firms have strengthened their capital positions and broadened their product lines considerably, Wall Street is a great deal healthier today than it has been in nearly a decade.

But prosperity poses problems of its own, just as The Street learned in the 1960s. At that time, a number of big firms went under because they were not able to process the heavy volume of buy and sell orders. Now, with this year's heavy volume of institutional transactions, the threat of horrendous back-office problems is again looming large.

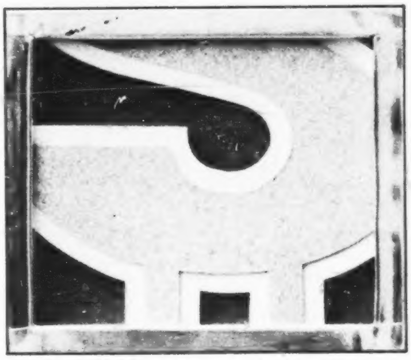
"We could see history—and the nightmare of the late 1960s—repeated if we're not prepared," warns one broker. Indeed, the New York Stock Exchange is predicting that the number of shares routinely traded each day will almost double to 90 million by 1985. The exchange predicts that on some days 150 million shares will change hands.

The back-office problem could be worsened by the fact that the Big Board may lose its position as the sole trading floor for the shares of America's largest corporations. Recently, member firms have been allowed to make their own markets in 56 listed common stocks, and nearly 1 trade in 14 was conducted away from the NYSE. Eventually, other stocks will be added—a development expected to speed up the trend away from the NYSE.

To stall that trend—and join the diversification drive—the Big Board opened a futures trading exchange in August, the first major movement away from stocks and bonds in its 188-year history. The New York Futures Exchange is expected to become a major center for the trading of financial futures, which until now have been the preserve of the Chicago Board of Trade, the Chicago Mercantile Exchange and the New York Commodities Exchange. Financial futures are contracts to buy or sell government securities, mortgage-backed paper and foreign currencies on a specific day at a specific price.

Says New York Stock Exchange President John J. Phelan Jr.: "The future of the stock exchange is now very bright. And that goes for the brokerage industry as well. Diversification and the desire to serve the increasingly sophisticated consumer is helping everybody." However, growth has its problems, and it remains to be seen which firms will deal with the problems effectively and which ones won't.—**Thomas C. O'Donnell**

You can't borrow at 12% to invest at 9%—unless you are prepared to let your company go down the drain. That, however, is exactly what's happening at many savings and loans.



The thrifts

THE $750 BILLION THRIFT INDUSTRY these days is in a race for its life, and the hard truth is that it may be a race many of the smaller and less sophisticated institutions seem destined to lose. "If inflation continues along at its present rate," says William Gray, an analyst at Kidder, Peabody & Co., "a severe shakeout of the thrift industry is inevitable."

The thrift industry is made up of 4,500 savings and loan associations across the nation and 500 mutual savings banks primarily in the Northeast, and the problem is that thrifts are borrowing money at rates of 12% or higher, while the average yield on their mortgage portfolios is a skimpy 9%. Consequently, the industry's losses in 1980 approached $3 billion. Ironically, the problem was created by the government with the best of intentions: insulating the nation's housing market from economic downturns.

Until recently, thrifts, no matter how large, were the least complex of financial institutions. Their role was very straightforward: to pull in low-cost savings deposits and lend them back out as higher-yielding home mortgages. That role left them subject to massive withdrawals of funds—disintermediation—whenever interest rates rose above what they were allowed to pay on savings accounts. The thrifts dealt with that problem by cutting back on mortgage lending. Unfortunately, this brought the housing market to a dead stop and invariably ushered in a recession.

Once Washington decided it could not let housing remain so cyclical, it deregulated the thrift industry and gave savings and loans an arsenal of weapons to compete for funds. Foremost among these are the six-month, $10,000 savings certificates with floating rates pegged to the yield on six-month Treasury bills, first offered in June 1978. The certificates solved the disintermediation problem, but they also created the far more serious one that is threatening the thrift industry with insolvency.

The problem is particularly severe in the Northeast, where the shakeout will probably begin. Usury ceilings have burdened such thrifts with the country's lowest-yielding mortgage portfolios—8¼%, against the national average of 9%. "Thrift institutions in New York and New England will be running losses for years to come," predicts Jonathan Gray, an analyst with Sanford C. Bernstein & Co. "Some will probably close their doors."

West Coast S&Ls, by contrast, are the industry's healthiest by a very wide margin—mainly because they've been free to diversify their operations, as S&Ls in more rigidly regulated states have not. Such giant California associations as Ahmanson and Golden West are becoming complex financial organizations similar to large commercial banks and increasingly able to compete with these bigger and more diversified rivals on equal terms. Other California associations are acting like mortgage bankers—packaging and selling off existing mortgages in order to obtain new funds. Still others are trying to corner the growing market for consumer services by turning themselves into "family financial centers."

The blurring of distinctions between thrifts and other financial institutions has accelerated since March when Congress passed the blockbusting Depository Institutions Deregulation & Monetary Control Act of 1980. "Without doubt, this is the most significant piece of financial legislation passed in this country since the Depression," says one banker.

Among other things, the act granted important new powers to thrifts, such as the right to offer NOW (negotiable order of withdrawal) accounts, the right to issue credit cards and the

The thrifts

Yardsticks of management performance

	Profitability								Growth			
	Return on equity			Return on total capital					Sales		Earnings per share	
Company	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
Golden West Finl	25.1%	1	20.8%	0.4	16.5%	1	20.8%	8.6%	37.7%	1	22.8%	1
Imperial Corp of Am	16.1	2	10.5	0.5	8.6	3	13.8	7.4	20.6	3	19.4	2
H F Ahmanson	14.7	3	7.8	0.5	6.4	5	12.7	4.8	19.3	4	16.2	5
Gt Western Financial	14.6	4	7.9	0.5	6.3	4	13.3	5.3	16.7	6	16.7	3
Gibraltar Financial	13.6	5	def	0.5	0.0	2	14.0	def	23.2	2	16.2	4
First Charter Finl	13.5	6	5.9	0.8	4.8	6	12.4	4.8	18.8	5	13.5	6
Industry medians	**14.7**		**7.9**	**0.5**	**6.4**		**13.6**	**5.1**	**20.0**		**16.5**	
All industry medians	**15.8**		**16.1**	**0.4**	**11.0**		**11.1**	**5.0**	**14.3**		**13.9**	

Note: Explanation of Yardsticks calculations on page 49.
def: deficit.

LENDING STANDARDS
STATEMENT OF CONDITION
December 31,1979
TELEPHONE TRANSFER SERVICE
VARIABLE RATE MORTGAGES
All Purpose Credit Application
SAVINGS INSURANCE
DIRECT DEPOSIT
All Purpose Credit Application
DIRECT DEPOSIT
California Money: Checking with Interest
CALIFORNIA FEDERAL
CALIFORNIA FEDERAL
CALIFORNIA FEDERAL

Brochures for various services offered at California Federal Savings and Loan

Diversifying to increase profitability and to compete with commercial banks.

right to offer consumer loans, larger and more extensive real estate loans as well as trust accounts.

"Most S&Ls are going to jump into NOW accounts [which became legal on a nationwide basis Jan. 1]," says Jay Janis, former chairman of the Federal Home Loan Bank Board. The Bank Board regulates 4,200 federally and state-chartered S&Ls—the backbone of the housing market. "Others are already offering credit cards, and with good results," Janis adds. "The 16% rate they charge on card balances provides a profitable spread over what they pay for funds."

Although he concedes the Deregulation & Monetary Control Act removed many of the distinctions that have differentiated S&Ls from commercial banks, Janis is not among those who foresee the demise of the traditional "dual banking" system. "S&Ls will remain what they always have been," he says, "the nation's primary lenders of mortgage credit."

To ensure this and to strengthen the troubled industry, the Bank Board in June quadrupled the amount of money S&Ls can raise from outside sources such as commercial banks, the commercial-paper market and the Euromarket, as well as from mortgage-backed securities. Earlier in the year the Bank Board authorized federally chartered S&Ls to offer rollover mortgages with rates renegotiable every five years. The new rules will probably spur thrifts nationwide to take advantage of the variety of financial instruments that the larger—and healthier—California thrifts have used for years.

But none of it is likely to be enough to prevent the earthquake that's building up. Even Janis sees "some shrinkage ahead for the industry." That's probably putting it mildly. "There will soon be massive consolidations to achieve economies of scale," says Gray of Sanford Bernstein. "Little players will leave the game and big institutions will dominate. The system that emerges from all this will be far stronger than the system we have now."—**Thomas C. O'Donnell**

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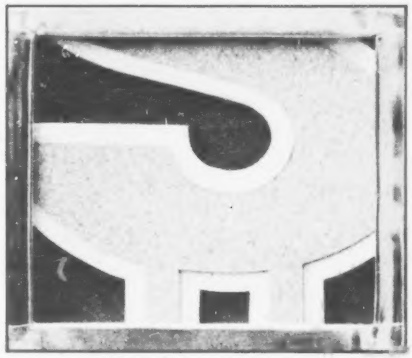
Personal loan companies are not just upgrading their images. They are rebuilding their customer bases and hell-bent on diversification.



Consumer finance

HOW ABOUT IT?" asks a Household Finance Corp. executive standing outside and gesturing up at the posh Chicago skyscraper that newly houses the nation's second-largest finance company. "Sure beats the second-story walkup we used to have, with lending officers looking like hungry gorillas chained to their desks."

Finance companies are trying to upgrade more than their image or their architecture these days. They're trying to shift their entire customer base: from the indigent to the affluent. They can get pretty upset at jokes about their long-standing—and rather seedy—reputation as lenders to those unable to borrow elsewhere. "In fact, I get downright angry," says Finn Caspersen, chairman of Wilmington, Del.-based Beneficial Corp., the nation's largest.

Household, which is mounting a million-dollar advertising campaign featuring its well-appointed, redecorated branch offices, even bristles at being called a finance company. So what is it? It calls itself a conglomerate because of sizable manufacturing and merchandising operations, even though more than 50% of its 1979 earnings of $161 million came from its traditional businesses of financial services and auto leasing. To strengthen itself in its traditional field, Household is hoping to capture the $50,000-plus annual income customer, a market of big but low-risk borrowers estimated at $10 billion a year.

And Household is not alone. For example, Evansville, Ind.-based Credithrift Financial Inc., which owns up to being a finance company, is cutting back on consumer loans as it emphasizes its investment counseling and large-loan services. In so doing it is coming right out of the closet. Says Senior Vice President W.R. Vause: "We haven't had an office off the ground floor in years."

It's not just a matter of prestige. The small consumer loan just isn't profitable anymore. In 1980 personal bankruptcies of finance company customers shot up by 60%, and the industry had to double its loan-loss reserves at a time it could least afford it. Says Noel Delaney, an analyst for L.F. Rothschild, Unterberg, Towbin: "Very few companies made money this year on consumer lending."

In reaching for these new upscale customers, the finance companies have plenty of competition. This huge and potentially lucrative market is also being invaded by commercial banks, thrift institutions, brokerage firms and such "nearbanks" as Sears, Merrill Lynch and American Express. What is more, skyrocketing interest rates have pushed the cost of funds at many finance companies above what they are able to charge for them, annihilating margins and causing lenders to

Consumer finance

Yardsticks of management performance

	Profitability								**Growth**			
	Return on equity			Return on total capital					Sales		Earnings per share	
Company	5-year average	5-year rank	latest 12 months	debt/equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
Reliance Group	121.9%	**1**	45.1%	0.5	25.7%	**3**	18.6%	14.6%	10.5%	**11**	D–P	
Alexander & Alexander	40.5	**2**	36.9	0.0	37.5	**1**	44.1	14.0	27.1	**1**	24.3%	**4**
Marsh & McLennan Cos	33.2	**3**	31.9	0.0	34.7	**2**	33.5	15.1	16.1	**5**	16.5	**8**
American Financial	26.8	**4**	7.5	1.4	6.6	**9**	8.6	3.0	19.6	**3**	29.9	**2**
Baldwin-United	24.2	**5**	26.3	0.7	14.9	**5**	15.7	6.0	26.1	**2**	19.9	**6**
Avco	23.2	**6**	17.2	2.7	6.7	**10**	7.9	5.6	7.5	**15**	73.6	**1**
American Express	20.4	**7**	20.0	0.4	15.4	**4**	16.6	6.9	16.2	**4**	17.7	**7**
Transamerica	18.3	**8**	18.0	1.2	9.8	**7**	11.2	5.5	11.6	**10**	23.7	**5**
RCA	17.7	**9**	15.3	0.9	11.0	**6**	11.7	3.9	9.6	**12**	26.1	**3**
Household Finance	14.7	**10**	12.3	1.9	6.0	**12**	7.0	2.4	13.3	**9**	8.0	**10**
Walter E Heller Intl	13.7	**11**	14.0	2.5	7.3	**11**	7.3	5.7	15.5‡	**6**	6.7‡	**11**
Fedl Natl Mortgage	13.2	**12**	3.5	28.9	3.8	**15**	4.2	1.0	14.4	**7**	3.6	**13**
Beneficial Corp	12.4	**13**	8.3	3.3	4.1	**14**	6.1	3.2	8.2	**14**	2.5	**14**
Sears Roebuck	11.9	**14**	7.5	0.3	6.5	**8**	9.9	2.2	9.3	**13**	5.6	**12**
Control Data	8.8	**15**	11.3	0.4	8.5	**13**	6.7	3.7	13.7	**8**	15.8	**9**
Industry medians	**18.3**		**15.3**	**0.9**	**8.5**		**9.9**	**5.5**	**13.7**		**17.1**	
All industry medians	**15.8**		**16.1**	**0.4**	**11.0**		**11.1**	**5.0**	**14.3**		**13.9**	

Note: Explanation of Yardsticks calculations on page 49.
‡Four-year growth. D-P: deficit to profit; not ranked.

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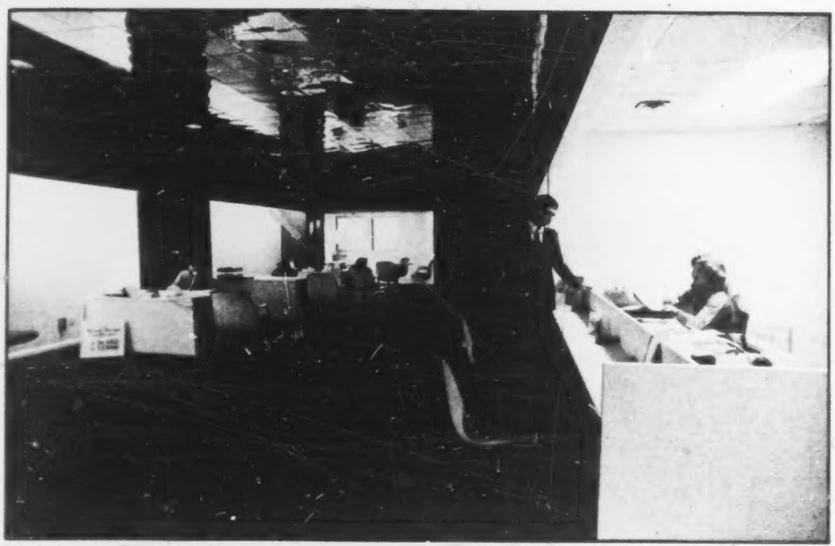


Dial Corp. office outside Des Moines

Shifting the customer base from the indigent to the affluent.

cut back dramatically. Even so, the industry seems to be reaching its goal: It made 25% fewer small (under $500) loans in 1980 than it did in 1979.

Those small consumer loans, which used to be the industry's bread and butter, have been replaced mainly by second-mortgage loans, which also used to have a seedy image but have become very good risks in recent years as housing prices have soared. Indeed, such credits carry higher interest and have a lower rate of default. Second-mortgage loans make up 25% of Household's portfolio, a major reason Household has consistently led the industry in profitability. The other finance companies aren't far behind in diversifying. "Let's face it," says Credithrift's Vause, "the $300 consumer loan doesn't mean a damn thing to us anymore."

> ***"Unless we get some interest rate breaks, we may have to abandon consumer loans altogether," says Richard Levitt, chairman of Iowa-based Dial Corp. "Running losses by continuing to make those loans is a very expensive way to do business."***

No one knows this better than Beneficial, which in 1979 acquired First Texas Financial Corp. of Dallas, the second-largest savings and loan association in Texas, and which had earlier acquired Peoples Bank & Trust Co. of Wilmington. It offers Visa and MasterCard and, in addition, Beneficial offers its own credit card, Bencharge, used primarily in retail stores in the midwest and in New Jersey. What is happening, says Chairman Caspersen, is that distinctions between financial institutions are fast disappearing and "everybody is converging on the middle-class market."

Indeed, just as finance companies are buying up banks and thrift institutions, banks are gobbling up finance companies. Bank of America now owns FinanceAmerica Corp., which operates nearly 400 offices in 38 states and Canada from its Allentown, Penna. headquarters. Citicorp controls Person-to-Person Inc. (formerly Nationwide Financial Services Corp.) with 145 offices in 26 states. Banks, especially the money-center giants, want to own finance companies for one very good reason: When the prohibition on interstate banking is eased, such offices can quickly be converted into deposit-taking branches or even full-service banks.

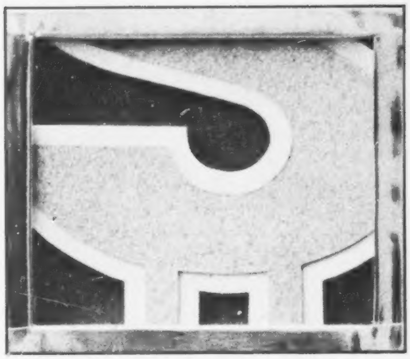
That day may be a long way off, however, and for the near term most consumer finance companies are less than glittering investments.

What the industry is surviving on, for the moment, is hope—that interest rates will peak in mid-1981 and that legislatures will lift ceilings (and so eliminate red ink) in states where usury laws apply. Of 50 states, more than half have relaxed or eliminated ceilings in the last two years, and similar proposals are pending in most other jurisdictions.

But after suffering through Eighties' hostile interest-rate climate and facing perhaps six more months of the same in 1981, finance companies may be forced to move away from small loans and small customers even more rapidly than they had planned. "Unless we get some interest rate breaks, we may have to abandon consumer loans altogether," says Richard Levitt, chairman of Iowa-based Dial Corp. "Running losses by continuing to make those loans is a very expensive way to do business."

—Anne Bagamery and Thomas C. O'Donnell

Commercial lenders have been stretched to the limit by this year's credit demands. Will deregulation help them snap back?



Banks

FOR THE FIRST TIME IN NEARLY 50 YEARS the U.S. banking industry is being radically transformed. Part of the pressure is coming from the banks that have been skillfully testing existing law. And part has come from Congress itself, which has recognized that the times are changing.

The single most important piece of financial legislation passed since the Depression, the landmark Depository Institutions Deregulation & Monetary Control Act, became law in April. It ushered in a new era of free-market competition in the banking industry. Among other things, it gradually phases out limits on what banks can pay for funds. The act also allows banks to pay interest on checking accounts.

Because of these two dramatic changes, banks will soon be paying high money market rates for funds they previously obtained very cheaply. The result will be sharply higher operating costs and an increasing squeeze on profits, so that many institutions will close during this decade. "The nation's 14,000 banks could dwindle to 7,000 by 1990," predicts Richard T. Hale, a bank analyst at Baltimore's Alex. Brown & Sons.

Hardest hit will be small and rural institutions that do not have the sophistication or size to compete in the money markets. "Small banks will soon be looking to get out of business at the same time larger banks are looking to get in," says Howard McCrady, executive vice president of Arizona's Valley National Bank. The shrinkage will come primarily through takeovers rather than from outright failures.

Such takeovers will become commonplace once the ban on interstate banking is eased. Currently, bank holding companies are prohibited from setting up deposit-taking branches or full service banks outside their home states by the Douglas Amendment to the McFadden Act. In early 1981, however, a White House task force is expected to recommend that the amendment be revised, and Congress will probably approve.

Actually, money center banks have already set up thousands of banking offices around the nation. Citicorp, for example, has some 750 offices spread throughout 40 states and the District of Columbia. The goal is to convert such offices into banks once deregulation arrives.

The industry's more aggressive assault on existing laws is taking place in Maryland, where Citicorp has introduced a credit card that bumps right up against the Douglas Amendment's ban on out-of-state deposits. Until the Federal Reserve Board called a temporary halt to such cards, Citicorp paid consumers 8% for balances left on them. Citicorp plans to seek a reversal of the Fed's ruling, and if successful, the $111 billion (assets) company will be able to accept deposits anywhere in

Banks

Yardsticks of management performance

	Profitability								**Growth**			
	Return on equity			Return on total capital					Sales		Earnings per share	
Company	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
New York banks												
Republic New York	20.5%	**1**	31.0%	0.5	18.4%	**1**	13.7%	8.0%	36.1%	**1**	14.9%	**1**
Citicorp	15.9	**2**	15.5	1.3	9.1	**5**	10.4	4.1	20.5	**2**	11.7	**2**
J P Morgan	15.3	**3**	16.1	0.3	13.9	**2**	13.0	6.8	17.0	**6**	10.4	**4**
Manufacturers Hanover	14.4	**4**	14.3	0.5	11.1	**3**	11.2	4.6	18.9	**3**	9.6	**5**
Irving Bank	13.3	**5**	16.6	0.5	12.5	**6**	10.3	5.0	13.2	**9**	11.3	**3**
Bank of New York	12.5	**6**	13.2	0.1	12.1	**4**	11.1	4.6	17.5	**4**	4.6	**9**
Bankers Trust N Y	12.3	**7**	21.3	0.4	15.8	**7**	9.7	5.2	13.9	**8**	6.9	**7**
Chemical New York	12.1	**8**	14.4	0.6	10.0	**8**	9.2	3.9	17.1	**5**	7.3	**6**
Chase Manhattan	11.3	**9**	16.3	0.5	11.4	**9**	8.6	4.7	15.0	**7**	4.9	**8**
Marine Midland Banks	6.4	**10**	9.6	0.8	7.6	**10**	5.3	2.9	8.3	**10**	–5.1	**10**
Medians	**12.9**		**15.8**	**0.5**	**11.8**		**10.4**	**4.7**	**17.1**		**8.5**	
Regional banks												
Mercantile Texas	18.9%	**1**	18.8%	0.5	14.0%	**6**	14.4%	8.7%	41.4%	**1**	15.5%	**4**
Texas Commerce Bshs	18.2	**2**	19.7	0.1	18.1	**1**	16.6	10.0	28.1	**2**	15.6	**2**
BankAmerica	17.9	**3**	18.5	0.3	14.7	**10**	13.8	5.5	18.7	**7**	15.1	**7**
U S Bancorp	17.7	**4**	17.3	0.5	13.0	**8**	13.9	11.1	15.7	**19**	15.1	**8**
First Intl Bshs	17.6	**5**	18.6	0.5	13.9	**7**	14.2	8.5	23.0	**4**	13.6	**13**

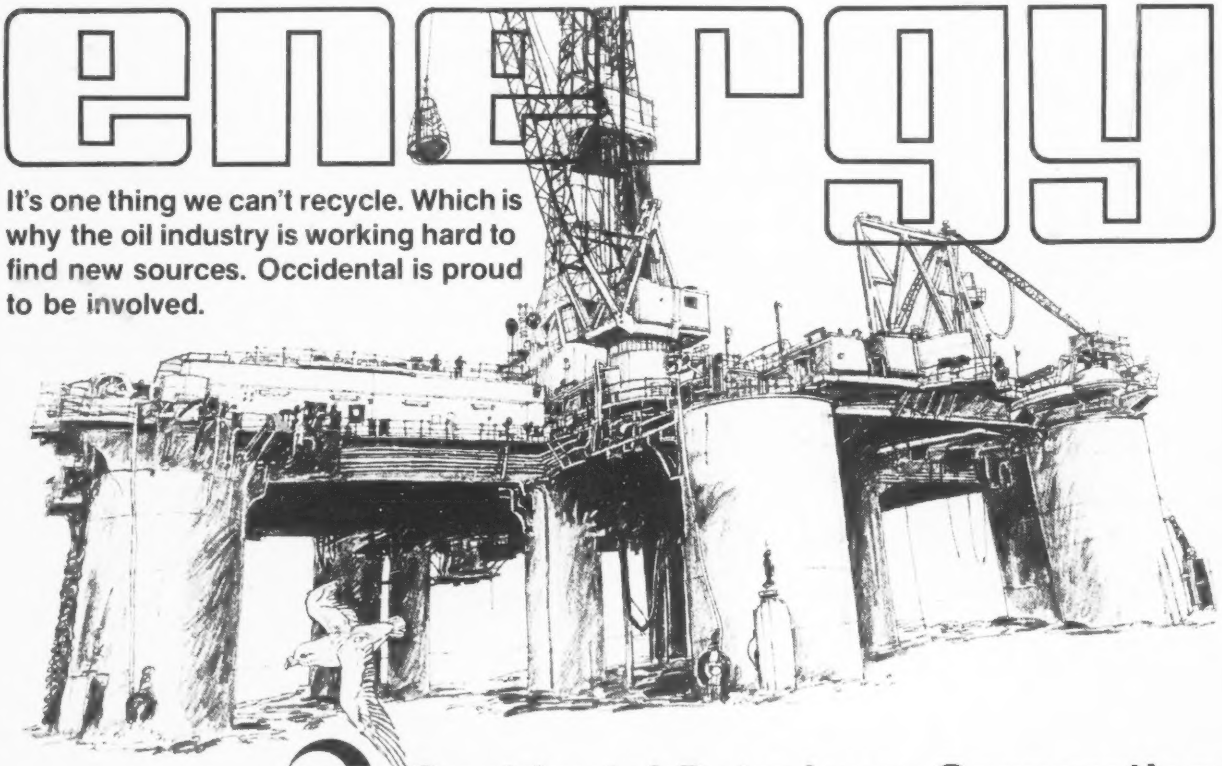
Note: Explanation of Yardsticks calculations on page 49.

Banks

Yardsticks of management performance

	Profitability								Growth			
	Return on equity			Return on total capital					Sales		Earnings per share	
Company	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
Republic of Texas	16.7%	**6**	16.3%	0.4	13.1%	**9**	13.9%	6.9%	22.7%	**5**	14.8%	**9**
Valley Natl Bk Ariz	16.7	**7**	18.8	0.0	19.1	**3**	15.0	8.6	14.7	**25**	14.6	**10**
Michigan National	16.5	**8**	13.1	0.4	10.7	**12**	13.2	6.7	15.4	**20**	12.5	**16**
First City Bancorp	16.2	**9**	17.9	0.2	16.0	**5**	14.6	8.1	24.7	**3**	13.9	**12**
National City	16.1	**10**	14.5	0.0	14.2	**2**	16.5	9.7	18.3	**8**	10.4	**19**
Continental Illinois	15.9	**11**	16.4	0.4	13.1	**11**	13.3	5.0	19.5	**6**	12.2	**17**
Seafirst	15.7	**12**	15.4	0.2	13.9	**4**	14.6	6.8	18.1	**9**	13.2	**14**
Crocker National	15.6	**13**	15.2	0.4	11.6	**26**	11.1	5.0	15.9	**18**	13.1	**15**
Northwest Bancorp	15.3	**14**	15.7	0.5	11.3	**20**	12.1	8.1	17.2	**12**	12.1	**18**
Security Pacific	15.3	**14**	16.6	0.3	13.4	**15**	12.9	5.8	16.8	**15**	15.5	**3**
Western Bancorp	15.1	**16**	16.0	0.5	12.6	**18**	12.1	6.6	13.9	**28**	14.3	**11**
Rainier Bancorp	15.0	**17**	13.9	0.2	12.9	**14**	13.2	7.1	17.5	**11**	16.0	**1**
First Bank System	14.9	**18**	15.3	0.4	12.3	**19**	12.1	8.5	15.3	**21**	10.0	**21**
Wells Fargo	14.8	**19**	13.8	0.6	10.1	**23**	11.2	4.8	16.7	**16**	15.2	**6**
Mercantile Bancorp	14.3	**20**	16.3	0.4	12.5	**24**	11.2	8.2	17.0	**14**	6.5	**32**
Pittsburgh National	14.0	**21**	15.3	0.2	13.2	**13**	13.2	8.1	16.3	**17**	9.8	**22**
Wachovia	13.7	**22**	13.7	0.1	13.0	**16**	12.7	8.3	11.7	**32**	10.4	**19**
NCNB	13.7	**23**	15.8	0.7	11.2	**29**	9.6	6.8	12.9	**30**	9.0	**26**
Manufacturers National	13.5	**24**	12.3	0.2	10.7	**22**	11.4	6.3	14.3	**27**	8.8	**27**
DETROITBANK	13.2	**25**	10.6	0.1	9.9	**17**	12.6	6.4	14.4	**26**	9.3	**23**

Note: Explanation of Yardsticks calculations on page 49.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Banks

Yardsticks of management performance

	Profitability								Growth			
	Return on equity			Return on total capital					Sales		Earnings per share	
Company	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
Natl Detroit	12.6%	**26**	11.8%	0.2	10.5%	**25**	11.1%	7.4%	10.8%	**35**	9.0%	**25**
Girard	12.1	**27**	14.6	0.6	11.2	**32**	9.2	7.3	9.6	**38**	6.9	**30**
Philadelphia Natl	12.0	**28**	12.7	0.4	10.3	**30**	9.5	6.1	12.0	**31**	4.9	**34**
First Natl Boston	11.7	**29**	15.4	0.7	11.0	**37**	8.3	4.6	17.8	**10**	6.9	**29**
Mellon National	11.6	**30**	13.0	0.5	9.8	**27**	9.9	7.2	11.4	**33**	9.0	**24**
AmeriTrust	11.5	**31**	11.0	0.0	11.0	**21**	11.6	10.0	13.7	**29**	8.0	**28**
Southeast Banking	11.5	**32**	16.4	0.6	11.5	**34**	8.7	7.9	17.1	**13**	4.3	**36**
BanCal Tri-State	11.3	**33**	11.3	0.4	9.2	**35**	8.6	5.1	7.9	**40**	15.5	**5**
Northern Trust	11.2	**34**	11.0	0.2	9.7	**28**	9.7	7.1	10.8	**34**	6.2	**33**
Harris Bankcorp	10.7	**35**	10.2	0.2	9.3	**31**	9.4	4.9	14.7	**24**	4.4	**35**
First Chicago	10.5	**36**	5.8	0.3	5.2	**33**	8.7	2.1	15.1	**23**	3.4	**37**
First Wisconsin	10.2	**37**	12.9	0.4	10.4	**38**	8.2	5.1	10.4	**36**	6.9	**31**
BancOhio	9.0	**38**	2.2	0.0	2.3	**36**	8.4	1.3	15.3	**22**	2.2	**38**
Citizens & Southern NB	7.1	**39**	14.9	0.1	13.8	**39**	6.8	7.5	8.1	**39**	–7.5	**39**
Fidelcor	3.6	**40**	6.0	0.6	4.5	**40**	3.3	2.7	6.3	**41**	–22.6	**40**
First Pennsylvania	def	**41**	def	0.9	def	**41**	1.7	def	10.3	**37**	P–D	**41**
Medians	**14.0**		**14.9**	**0.4**	**11.5**		**11.6**	**6.9**	**15.3**		**10.0**	
Industry medians	**13.7**		**15.2**	**0.4**	**11.5**		**11.2**	**6.7**	**15.4**		**9.8**	
All industry medians	**15.8**		**16.1**	**0.4**	**11.0**		**11.1**	**5.0**	**14.3**		**13.9**	

Note: Explanation of Yardsticks calculations on page 49.
P–D: profit to deficit. def: deficit.

the U.S.—a move that could change the banking world.

The banking world is also being changed by another Citicorp innovation: its plan to establish a bank in South Dakota. (This is permissible under Douglas because the state legislature invited Citicorp to come in.) The new bank will accept deposits outside New York, but its main function will be to distribute credit cards. The reason: South Dakota has no usury limits on bank card lending. The bank's plan jarred New York in November into raising usury ceilings on credit card balances to 25%, but Citicorp had already committed itself to the move.

In September the nation's largest banking company announced a new savings account aimed squarely at the money market funds. Depositors not only can write checks but can also get yields on their deposits pegged to the Treasury bill rate. If the account is successful, the industry will have an effective way to compete for the $80 billion sitting in the funds.

This is crucial, since interest rates and chaos in the financial markets have prompted the nation's banking system to take the biggest gamble in its history by attempting to replace the bond market as a supplier of capital to business. Unfortunately, the timing could not be worse. The banks have been stretched to the limit by this year's huge credit demands, and a massive shakeout could impair confidence in the entire system.

Such fears were underscored as long ago as late 1979 when Comptroller of the Currency John Heimann warned that an undisclosed number of institutions could fail. The comptroller's office later indicated there were 250 problem banks. The truth is the banking system is less able to take over the bond market than ever before.

NATIONAL
TILLIE

First National of Atlanta

Tillie the Teller's cash machine.

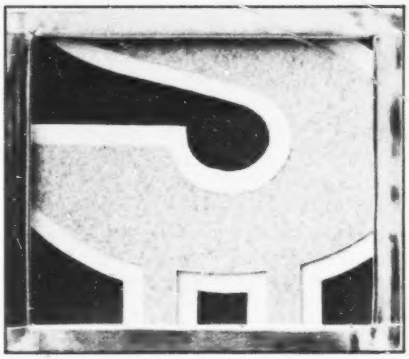
Today the ratio of bank equity to assets has dipped below the worrisome level of 4%. This means that every $1 of equity supports more than $25 of loans and investments. And for every $1 of core deposits, the banks carry more than $2 of purchased money that can be withdrawn on short notice. High interest rates have also cut margins to dangerous levels.

Despite the risks, many commercial banks are betting that if short-term bank loans replace long-term bonds, the defection of blue-chip borrowers—the industry's recent number one problem—will be solved. Throughout the 1970s, corporations bypassed the U.S. banking system in favor of commercial paper, the business equivalent of an IOU, and foreign borrowing. Consequently, U.S. banks have been forced to focus on such alternatives as consumer lending and real estate. Lately, these have become increasingly unprofitable as interest rates have risen.

In this brave new banking world, only one thing is certain: Commercial banks will not transform themselves into investment bankers by becoming underwriters of corporate securities. The Glass-Steagall Act, passed in 1933, separates commercial banking (taking deposits and making loans) from investment banking (underwriting and issuing securities).

The industry knows full well that neither Congress nor the public would ever tolerate open violations of Glass-Steagall. Moreover, bankers' hopes for repeal were dashed by the passage of the Deregulation & Monetary Control Act, which left Glass-Steagall unscathed. That battle was so bloody that it could be decades before Congress touches financial reform again.—**Thomas C. O'Donnell**

Inflation has touched off a revolution in one of the U.S.' oldest, stodgiest and most unchanging industries.

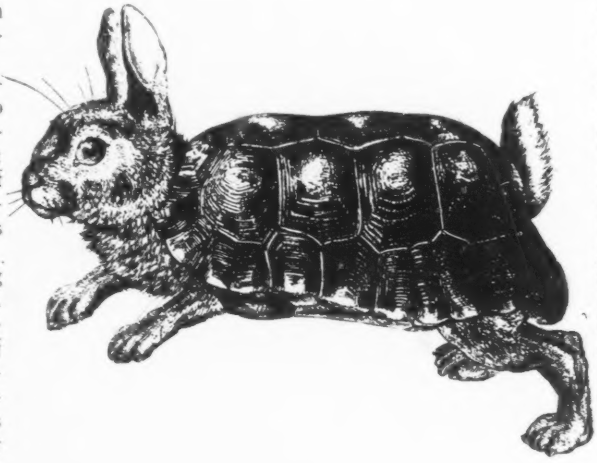


Insurance

"THE LIFE INSURANCE INDUSTRY HAS FINALLY REALIZED that inflation is not going to disappear tomorrow," says Thomas C. Simons, chairman of Capital Holding Life. That realization has touched off a quiet revolution that has already transformed a once-stodgy industry into one of the fastest-changing in the nation.

The revolution began in March when eye-popping interest rates shook the industry to its foundations. For a time, life companies almost ran out of money. This near-disaster occurred because such companies make commitments to lend well in advance and, gambling that rates would soon peak, they became heavily committed in late 1979 and early 1980. Interest rates skyrocketed, however, and the industry lost its bet. Individuals began borrowing billions on their policies at rates of 5% to 8% so they could capture high money market yields. At the same time, institutional clients—also wanting to nail down record-high yields—delayed payment of premiums. Only the sharp, sudden drop in interest rates saved several companies from going under.

Yet bad as it was, this temporary cash-flow crisis was not so dire a threat to the industry's liquidity as two long-term trends: the drastic decline in sales of whole-life policies and the complete defection of young adults from the insurance market.



Whole-life has been nothing less than the industry's lifeblood. Policyholders in effect build savings accounts with a portion of their premiums, though withdrawals are not made until policies mature, and life companies use the money in the interim for investments. "The industry has been living off that money for years," says Myron Picoult, an analyst with Oppenheimer & Co. But these days, because of inflation, investors are reluctant to supply that money. Instead they prefer to buy cheaper term insurance and invest (or spend) the savings themselves.

To counter this trend, some life companies are trying to lure investors back with inflation-indexed products. Typical is the Aeconomaster Policy, offered by Aetna Life & Casualty, a stock company, which features adjustable premiums based on projected changes in cost, investment and mortality experience. Another example is the Adjustable Life Policy offered by Bankers Life, a mutual company, which the policyholder can increase every third year, based on changes in the Consumer Price Index. About 40 companies now offer such policies, which were unheard of as recently as two years ago.

And many life companies are trying to sell more group insurance. Group sales now account for 33% of all life sales, up from 25% ten years ago. Unfortunately, group customers consist of highly sophisticated institutions that almost always prefer low-cost term to whole-life policies, so the cash shortage remains. "Still, selling term is better than selling nothing at all," says one life executive.

By far the most revolutionary change in the industry is the movement of life companies into the property/casualty business. Until recently, insurance was divided into two halves, each with roughly $90 billion in annual premiums—the volatile and risky P/C industry and the staid but secure life industry. But now life companies are moving into P/C themselves, starting up P/C divisions and taking over P/C companies. Inflation once again is the driving force. Property/casualty premiums rise as the value of the insured object inflates, so inflation has not only made P/C companies grow rapidly, it has made them extremely profitable as well.

Although such moves have eased the industry's money shortage, they have not solved an equally severe problem: reinvesting that money at a profit. The pressure to do that—to find new ways of lending at a profit—is creating the most revolutionary changes of all. Among them: the death of the fixed-rate, 30-year loan, traditionally the insurance industry's principal investment vehicle. Leading the way has been Equitable Life Assurance Society, the third-largest life insurer, which announced in August that most new loans would have indexed rates or some other inflation hedge.

Other companies have been following Equitable's lead and have been developing similar investment vehicles. Among them:

- Equity kickers—usually warrants on common stock or conversion privileges on preferred stock.
- Adjustable interest rates—typically renegotiated every three to five years with a cap on upward and downward movements.
- Floating principals—which carry a fixed rate but a principal whose value is indexed to the GNP deflator or an industrial commodity such as timber or oil.
- Automatic interest-rate adjustments—with rates tied to an outside indicator such as the prime rate, discount rate or Consumer Price Index.

Will such innovations be enough to end the inflation-caused squeeze on insurance industry margins? No one knows the answer. Only this much is certain: The revolution has just barely begun.

"The insurance industry will be radically different in 1990 from what it is today," says analyst Picoult. "The biggest change is that there will be fewer, bigger players." Today there are about 1,800 life companies in the U.S. Many observers expect that number to shrink to about 1,000 by the end of the coming decade.

Shrinkage in the P/C business will probably be as severe. Increasing competition has made price-cutting on premiums commonplace, and many P/C companies may not be able to survive the pressure.

"We're suffering from overcapacity brought on by high profitability over the past three years," says B.P. Russell, chairman of Crum & Forster, a P/C company. "Underwriting losses are already starting to build up." As a result, a combination of liquidations and mergers is expected to reduce the number of P/C companies—currently almost 3,000—by one-third or even more.—**Thomas C. O'Donnell**

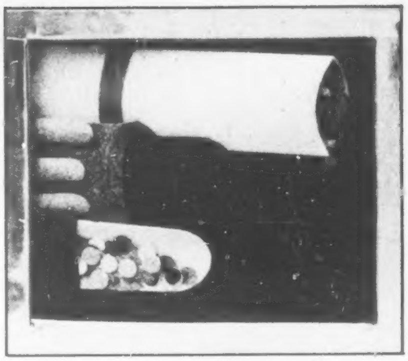
Insurance

Yardsticks of management performance

	Profitability								Growth			
	Return on equity			Return on total capital					Sales		Earnings per share	
Company	5-year average	5-year rank	latest 12 months	debt/equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
Life												
American Family	26.3%	**1**	13.7%	0.2	12.1%	**1**	25.0%	4.8%	38.2%	**1**	19.7%	**2**
Combined Internatnl	21.8	**2**	20.8	0.0	20.5	**2**	21.3	12.5	12.9	**6**	13.0	**9**
Provident Life & Acc	18.5	**3**	16.2	0.0	16.2	**3**	18.5	7.9	7.5	**14**	17.3	**5**
USLIFE	16.5	**4**	14.5	0.6	11.2	**6**	13.4	10.6	11.9	**7**	11.1	**12**
Business Men's Assur	16.1	**5**	16.1	0.1	15.6	**7**	13.4	10.7	6.7	**15**	38.8	**1**
Republic Natl Life	16.1	**6**	15.2	0.0	15.2	**4**	16.1	5.1	3.9	**16**	14.8	**6**
Gulf United	14.7	**7**	16.4	0.3	13.6	**11**	12.5	12.0	14.5	**4**	7.8	**16**
Jefferson-Pilot	14.0	**8**	13.7	0.0	13.2	**5**	13.8	12.1	10.4	**10**	12.5	**10**
Capital Holding	13.5	**9**	13.7	0.0	13.7	**8**	13.3	16.3	8.4	**13**	12.0	**11**
American Natl Ins	13.0	**10**	12.4	0.0	12.3	**9**	13.0	11.1	10.6	**9**	17.9	**3**
Liberty Natl Life	12.7	**11**	12.0	0.0	12.0	**10**	12.6	14.0	9.4	**12**	9.5	**14**
Washington National	11.9	**12**	13.4	0.0	12.0	**14**	10.4	4.0	20.5	**2**	9.2	**15**
PennCorp Financial	11.8	**13**	10.5	0.5	8.7	**15**	10.4	5.5	17.4	**3**	17.8	**4**
Equitable of Iowa	11.7	**14**	12.5	0.1	9.2	**16**	10.2	5.1	13.4	**5**	13.2	**8**
NLT	11.6	**15**	11.2	0.1	10.8	**12**	11.3	16.3	9.7	**11**	10.5	**13**
Nationwide	10.8	**16**	11.3	0.0	11.5	**13**	10.9	6.5	10.7	**8**	13.7	**7**
Medians	**13.8**		**13.6**	**0.1**	**12.2**		**13.2**	**10.7**	**10.7**		**13.1**	
Fire and casualty												
Mission Insurance	33.3%	**1**	30.3%	0.2	25.9%	**1**	27.3%	9.9%	31.4%	**1**	38.3%	**1**
GEICO	27.4	**2**	35.6	0.5	18.4	**11**	13.8	8.1	4.3	**12**	D–P	
U S Fidelity & Gty	26.3	**3**	23.7	0.0	23.8	**2**	26.4	11.0	15.5	**8**	28.8	**4**
Ohio Casualty	25.6	**4**	20.8	0.0	20.5	**3**	25.0	8.5	18.2	**4**	21.4	**9**
Kemper	24.1	**5**	20.2	0.0	20.3	**4**	23.9	6.2	21.1	**3**	27.3	**5**
General Re	22.9	**6**	22.3	0.0	21.8	**5**	22.0	15.0	17.4	**5**	25.6	**6**
Hanover Insurance	22.1	**7**	20.9	0.0	20.6	**6**	21.1	7.4	15.7	**7**	24.8	**7**
Crum & Forster	22.1	**8**	22.7	0.0	21.9	**7**	21.0	8.3	14.6	**9**	22.6	**8**
NN	20.5	**9**	22.0	0.3	16.6	**8**	19.1	7.2	13.6	**10**	32.7	**2**
Republic Finl Svcs	20.2	**10**	16.5	0.3	13.7	**9**	15.9	5.7	16.8	**6**	16.3	**11**
Continental Corp	15.2	**11**	13.1	0.0	13.1	**10**	14.2	7.3	11.3	**11**	16.8	**10**
Berkshire Hathaway	14.8††	**12**	10.9	0.1	10.1	**12**	12.0††	8.1	30.6‡	**2**	29.8‡	**3**
Medians	**22.5**		**21.5**	**0.1**	**20.4**		**21.1**	**8.1**	**16.3**		**25.6**	
Multiple line												
Old Republic Intl	33.6%	**1**	19.1%	0.1	21.3%	**1**	33.1%	8.4%	23.2%	**2**	37.5%	**1**
American Intl Group	25.1	**2**	21.5	0.1	20.3	**3**	23.1	10.4	21.6	**3**	24.1	**3**
Colonial Penn Group	25.0	**3**	17.7	0.0	17.7	**2**	24.8	7.5	23.2	**1**	16.5	**10**
St Paul Companies	22.5	**4**	15.8	0.2	14.0	**5**	19.9	7.6	15.1	**6**	21.3	**6**
CNA Financial	22.4	**5**	21.7	0.2	12.8	**14**	11.5	5.6	7.6	**14**	D–P	
Farmers Group	21.3	**6**	19.1	0.0	18.8	**4**	20.3	22.8	14.3	**7**	19.4	**8**
Aetna Life & Casualty	20.8	**7**	17.9	0.1	16.4	**6**	18.5	4.0	15.2	**5**	23.7	**4**
Safeco	20.0	**8**	16.6	0.3	13.9	**9**	15.8	9.8	13.5	**8**	25.9	**2**
Chubb	19.0	**9**	19.1	0.1	[illegible]	**7**	17.4	8.3	11.2	**13**	21.3	**6**
American General	18.7	**10**	16.3	0.1	14.7	**11**	14.6	7.5	11.9	**11**	21.9	**5**
Connecticut General	16.9	**11**	15.9	0.0	15.6	**8**	16.3	5.8	13.1	**9**	15.5	**11**
Travelers	16.5	**12**	16.2	0.0	15.6	**10**	15.6	4.4	11.2	**12**	19.1	**9**
INA	15.4	**13**	17.8	0.3	14.9	**12**	13.9	5.3	16.7	**4**	15.2	**12**
Lincoln National	13.0	**14**	13.0	0.1	11.0	**13**	11.8	5.9	13.1	**10**	13.5	**13**
Medians	**20.4**		**17.8**	**0.1**	**15.6**		**16.9**	**7.5**	**13.9**		**21.3**	
Industry medians	**18.9**		**16.4**	**0.1**	**15.1**		**15.9**	**8.0**	**13.6**		**18.5**	
All industry medians	**15.8**		**16.1**	**0.4**	**11.0**		**11.1**	**5.0**	**14.3**		**13.9**	

Note: Explanation of Yardsticks calculations on page 49.
††Three-year average. ‡Four-year growth. D-P: deficit to profit; not ranked.

If Jack Meyer has any say about it, a national health scheme will be designed to get suppliers competing for a share of the market.



Health care

FOR SOME YEARS NOW THE HEALTH INDUSTRY has kept a beady eye on the national health plan supported by Senator Edward Kennedy, among others. Ideological qualms aside, there has been both lip-smacking interest in the idea of an openhanded government footing the health care bill and considerable alarm at the thought of price controls.

Forget Kennedy's plan. The Republicans have taken the presidency and with it, for the first time in a generation, control of the Senate as well. Thus, any health care legislation that emerges from Congress over the months ahead will clearly have a very different cast from what was expected. Even without any legislation, the nation's health care expenditures are certain to rise. Today they account for 9% of the GNP as opposed to 4.5% three decades ago. That 9% amounted to $244 billion last year, $70 billion of it coming out of taxpayers' pockets for Medicare-Medicaid programs and tax subsidies. And the commitment is sure to rise. According to economist Jack A. Meyer of the American Enterprise Institute, a 37-year-old Washington think tank that is becoming to conservative policymakers what Brookings has been to liberals, government programs will soon account for *half* of every dollar spent on health care. Because of the way government does business, such outlays will inflate even more the other half of the bill that taxpayers and their employers fork over to the private sector—insurers, doctors, hospitals and laboratories.

Jack Meyer of the American Enterprise Institute

Using the market to cure the health care mess.

A Republican victory does not necessarily put health legislation on the shelf for the foreseeable future. Meyer's views on health care had made headway on Capitol Hill before the November election, and Republican congressional leaders like Robert Dole, the new Senate Finance Committee chairman, and Representative David Stockman of Michigan had in the works their own counterproposals to Democratic plans for national health insurance cum price controls. Some Reagan advisers favor a catastrophic insurance program. But some congressional prognosticators believe that Meyer's views come closer to suggesting the direction any Republican-inspired legislation is likely to take. Which is why FORBES dropped in to chat with him a while back about his views on the health care situation. We asked:

What kind of national health insurance plan makes sense to you?

One option is to develop a voucher system scaled to income, which would phase out at, or a little bit above, the poverty line. That voucher would be good at the plan of your choice. The government would say to a family or the single person: "Based on our studies, a person in your demographic situation could get an acceptable package of health insurance at a cost of, say, $120 a month. We realize you have zero income right now, so we will pay you $120 a month to be applied to the plan of your choice. And if you choose a more costly one, you pay the difference. If you take a job and begin to earn some money, and you're still below the poverty line or near it, then we're going to scale back that subsidy gradually as you earn more money."

But not, I assume, in line with the increase in income. Otherwise, like some of the welfare subsidies, you'll destroy any incentive to earn more money.

That's correct. We wouldn't want benefit reductions to be, in effect, 100%, which would result if you removed benefits from workers on a dollar-per-dollar basis. The important thing is that as the worker increases his earning power, government financial support would be reduced. Just how much it is reduced depends on how you want to strike the balance between preserving work incentives and holding down federal outlays.

What you're proposing isn't really a national health insurance program, as most Americans wouldn't be covered.

The voucher system itself would leave largely unaffected the great majority of people in this country. But costs for the others would be held down by stopping the open-ended nature of federal tax subsidies. By placing a limit on the amount of tax-free dollars that employers may contribute to health plans and rebating the savings to workers who select an efficient health plan, we could hold down cost increases without a national health insurance program. What I object to in the national health insurance plans is not the goal of helping the poor and the near-poor who are now ineligible for federal programs or inadequately served by them, but rather the fact that the plans would link expanded benefits with an economywide system of controls, which I believe would adversely affect the quality of care for all of us. And they would empower the Department of Health & Human Services, through a variety of new boards and institutes, to determine what the budget should be for health spending. This would inevitably lead to shortages of qualified personnel and cutbacks in services for millions of Americans.

Your abbreviated program would certainly avoid that, but isn't it still going to increase costs by abruptly exploding the market?

Quite the contrary. Basically the idea is that consumers would put pressure on insurers who would in turn pressure providers [hospitals, doctors, labs] because insurers would have to compete for the consumer's dollar more than they do at present. For instance, if insurer A is charging $160 a month for

Health care

Yardsticks of management performance

	Profitability								Growth			
	Return on equity				Return on total capital				Sales		Earnings per share	
Company	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
Shaklee	44.3%	1	15.5%	0.4	10.8%	1	27.5%	2.9%	31.5%	3	40.0%	1
Humana	23.7	2	33.6	2.7	10.7	9	9.2	5.8	39.8	1	34.4	2
Abbott Laboratories	22.0	3	22.5	0.2	18.0	3	17.0	10.5	17.4	7	23.7	5
Bausch & Lomb	21.1	4	25.0	0.2	21.3	4	16.6	9.2	13.3	12	24.7	3
Johnson & Johnson	19.3	5	19.5	0.0	18.7	2	18.7	8.4	16.7	8	14.7	10
Hospital Corp of Am	18.7	6	18.0	0.9	9.7	11	8.9	6.7	27.6	4	23.5	6
Natl Medical Entrprs	17.4	7	21.8	1.2	11.5	12	8.2	4.9	38.7	2	24.6	4
Baxter Travenol Labs	17.0	8	16.6	0.3	12.9	5	13.0	9.1	21.5	6	21.9	8
Amer Medical Intl	16.2	9	20.9	1.1	11.6	10	9.0	6.0	22.1	5	21.9	7
Amer Hospital Supply	15.2	10	16.5	0.3	13.7	6	12.9	5.7	16.0	9	16.2	9
Becton, Dickinson	14.5	11	14.4	0.2	12.2	7	12.1	6.9	15.1	10	13.1	11
G D Searle	13.5	12	19.0	0.7	13.3	8	10.0	9.0	13.3	11	–2.2	12
Industry medians	**18.1**		**19.3**	**0.4**	**12.6**		**12.5**	**6.8**	**19.5**		**22.7**	
All industry medians	**15.8**		**16.1**	**0.4**	**11.0**		**11.1**	**5.0**	**14.3**		**13.9**	

Note: Explanation of Yardsticks calculations on page 49.

the same package of benefits that his competitor, insurer B, can deliver for $120, suddenly you or I, who work for a company that is offering a choice between these plans, can get a rebate if we choose the low-cost plan—or have to ante up if we choose the high-cost plan—then insurer A is going to think twice about charging $160, particularly if he isn't really offering anything more to the consumer.

The insurer then puts pressure on the doctor, clinic, hospital?

Exactly. Probably you will find that the reason insurer A has to charge $160 for the same package insurer B is charging $120 for is that A is practicing the "everybody wins" approach characteristic of Medicare and Medicaid and some of the Blue Cross-Blue Shield plans. By "everybody wins," I mean insurers who reimburse the inefficient on a like basis with the efficient providers, so everybody is reimbursed provided he or she is not shown to have made a fraudulent claim.

So the voucher scheme will not only benefit people under the plan, it ought to push downward on the costs all of us are subjected to?

Exactly. We will never get to a more efficient solution as long as the third-party payer, whether it's your local Blue Cross-Blue Shield society or Medicare or Medicaid, is willing to say to doctors around the market area: "I will reimburse you irrespective of whether you're careful not to put a patient in the hospital on Friday for a procedure that starts on Monday, whether you're willing to go along with Mrs. Jones' request to stay an 11th day to catch her breath when she's fine after the 10th day and ready to go home, whether you're willing to run seven tests of the same type when it's clear after three that there's nothing wrong."

> ***"I think we should tinker with existing law in a sensible, fairly undramatic fashion and try to achieve our goals without thinking about passing a major new landmark piece of legislation."***

Are there health plans like this in existence already?

A close model of what I'm talking about is the federal employee health benefits program. A federal employee gets a choice of a more or less expensive plan and part of the cost of the plan is deducted from his or her paycheck. I think that's beginning to go in the right direction. Similarly, there are certain regions of the country that seem to have done more experimentation in this area: Hawaii, California, Minnesota. The first two occur in large part because of the strength of Kaiser Permanente in those areas and the competition they've created. Kaiser sponsors a health maintenance organization [an HMO—a clinic or group practice arrangement to which a consumer pays a fixed amount every year in return for all medical care].

Is there any way of encouraging competition without creating another federal program?

I think there is, and that way would involve the employers of this country beginning on an experimental basis to incorporate these principles into the way they do business. There's really nothing that is stopping employers under present laws from surveying their work force, coming up with an estimate of what it would cost on an actuarially determined basis to provide what they believe is a minimally acceptable—or what their work force believes is a minimally acceptable—insurance package and saying to their workers: "Look, we're only going to pay X amount of dollars a month into the kitty. You can take it to the plan of your choice." This would work better in some areas than others. There aren't, for example, as many HMOs in Philadelphia as there are in Los Angeles. But I believe employers can begin to take a hardheaded attitude. This process would be stimulated by changing the open-ended nature of federal subsidies.

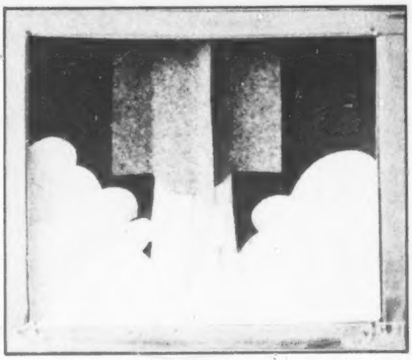
But don't you still have to deal with the impact of, for example, Medicare-Medicaid reimbursement policies, since they account for such a large part of the health care dollar? And doesn't that mean legislation?

Yes, but I think we should tinker with existing law in a sensible, fairly undramatic fashion and try to achieve our goals without thinking about passing a major new landmark piece of legislation. All too often, changing the law means coming up with something some senator can put his name on.

As a practical political matter, though, isn't that a key element?

That's why I would concede to you that some of the proposals like the ones I support aren't very sexy at first blush. They don't have tremendous political appeal. Who gets votes reforming Medicare policy? This is the stuff of experts and it's not very dramatic. But it seems to me there's a lot to be gained from doing it.—**Ann Hughey**

The Japanese may be moving up in the aerospace-defense market, but the Washington bureaucracy may finally be pulling out.



Aerospace and defense

THE LAST TIME THAT MOST AMERICANS took note of the Japanese aircraft industry was on Dec. 7, 1941. The Japanese Zero, built by Mitsubishi, dominated the skies over Pearl Harbor that day as it would again and again until late in World War II, when U.S. fighter aircraft technology finally caught up. Since the war, however, the Japanese aircraft industry has receded into the dimly lit background of an industrial complex built around the export of steel, electronics and automobiles—but not aircraft. In 1981 that perspective is changing as the Japanese aircraft industry gears up for another surprise takeoff.

Compared with the U.S., and even the European aircraft industries, the Japanese industry is tiny. Last year total aerospace sales for the half-dozen or so companies that form the core group of the Japanese industry (Mitsubishi Heavy Industries, Kawasaki Heavy Industries, Fuji Heavy Industries, Shin Meiwa Industry, Japan Aircraft and Ishikawajima-Harima Heavy Industries) amount to only about $1 billion. The sale of aerospace components was little more than incremental income for these large companies, which are much more heavily involved in other industrial sectors.

It was predictable, however, that the Japanese industry would not remain satisfied with its small sideline in aerospace for long. Commercial aircraft production is the hottest aerospace market of the 1980s. As the old commercial jets of the 1960s and 1970s become more obsolete every day, a huge $128 billion replacement market has materialized—some 6,000 jets slated to be purchased by 1990. Although order-taking has slowed considerably for the American Big Three—Boeing, Lockheed and McDonnell Douglas—because of sagging airline profits, no one doubts that the replacement market of the 1980s will get off the ground eventually. Says a confident E.H. (Tex) Boullioun, president of Boeing Commercial Airplane Co., "In time those orders will come."

The Japanese see it the same way. At the encouragement of the Japanese Ministry of International Trade & Industry (MITI), Japanese companies are slowly but deliberately focusing on this market. In part, the industry is honing its teeth on military projects. In 1978 the Japanese government settled on the McDonnell Douglas F-15 fighter and the Lockheed P-3C antisubmarine aircraft as the core of its self defense forces. By 1987, 100 F-15s and 45 P-3Cs worth over $5 billion are scheduled for delivery—most of them built with the help of Japanese industry working under license agreements.

More to the point, a consortium composed of Mitsubishi, Kawasaki and Fuji have a $75 million stake as a major subcontractor for Boeing's new 767 jetliner scheduled for 1982 delivery. Like Boeing, the Japanese also have recently concluded a 50-50 joint venture with Rolls-Royce to develop a new medium-size, high-bypass, fuel efficient jet engine by 1988. The Japanese are also discussing the possibility of building a 125-to-150 seat aircraft with either Boeing or the Dutch aircraft builder Fokker, and in the Fokker project at least, it is not inconceivable that the Japanese may be in control. Indeed, control of all these projects is firmly in the hands of MITI. MITI supports the F-15 and P-3C programs, put up $75 million in interest-free matching funds to land the Boeing 767 contracts, is underwriting three-quarters of the nonrecurring developmental costs of the Rolls-Royce engine project, and is likely to absorb a major part of the expense of any new airliner transport project.

The pattern of this unsettling picture has only recently begun to sink in on the U.S. aerospace industry, which accounts for $12 billion in export sales in 1980, making jet aircraft the U.S.' most important export item after combined agricultural products. "The competition may well be good and creative," says a report delivered in September to the U.S. House of Representatives Ways & Means subcommittee on trade. "But it is also likely to eat into the market share held by the American Big Three."

Only ten years ago U.S. aircraft builders supplied more than 96% of the world's commercial market. Today they supply

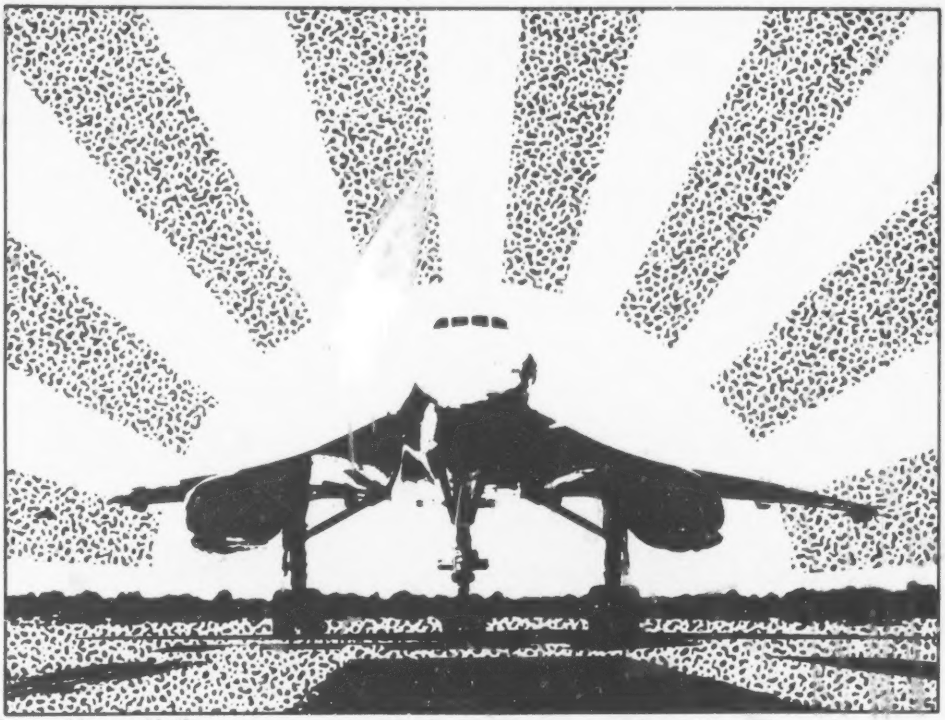
Aerospace and defense

Yardsticks of management performance

	Profitability								**Growth**			
	Return on equity			**Return on total capital**					**Sales**		**Earnings per share**	
Company	**5-year average**	**5-year rank**	**latest 12 months**	**debt/ equity ratio**	**latest 12 months**	**5-year rank**	**5-year average**	**net profit margin**	**5-year average**	**5-year rank**	**5-year average**	**5-year rank**
Fairchild Industries	25.7%	**1**	35.7%	0.1	24.3%	**6**	18.5%	6.0%	18.1%	**3**	42.6%	**2**
Lockheed	25.0	**2**	2.8	1.7	5.0	**16**	8.5	0.3	5.2	**16**	8.3	**13**
Northrop	25.0	**3**	21.6	0.1	19.4	**2**	21.2	5.8	16.1	**6**	32.2	**3**
Todd Shipyards	24.4	**4**	21.0	0.5	16.1	**14**	10.9	2.4	14.9	**7**	D–P	
Gates Learjet	23.8	**5**	19.3	0.2	16.4	**4**	20.1	4.1	25.4	**1**	22.7	**8**

Note: Explanation of Yardsticks calculations on page 49.
D-P: deficit to profit; not ranked.

only 46%, and they will have to fight to hold that. Already facing a tough European competitor in Airbus Industrie, Boeing Chairman T.A. Wilson says the emergence of the Japanese aircraft industry is no mirage. "The Japanese are respected associates now," he observes. "And in the future I expect to see them as respected associates or viable competitors." At Lockheed, the head of the division that builds the L-1011 TriStar agrees. "They would make good partners for anyone," says E.M. Cortright. "I think the interpretation that they're ready to take off is a good one."



Even more momentous for the U.S. aerospace industry than the emergence of Japanese competition would be the disappearance of the Washington bureaucracy that has made defense contracting a nightmare. And in 1981 that too may happen. A 1981 defense budget of $160 billion, with an additional billion or two likely to be added once Ronald Reagan takes office, has made defense contractors one of the most popular plays on Wall Street. Optimism pervades the industry from Rockwell International, with its buoyant aerospace and electronics divisions, to Raytheon, with its booming missile and electronic warfare components business, to Grumman and Northrop with their component and aircraft contracts.

But in 1981 the amounts spent on defense—though large—may matter less than the way those contracts are written. The Reagan Administration hopes to dismantle a lot of red tape that has made defense spending in recent years a tortuous project for both government and industry. The goal is to cut weapons-acquisition time in half. In the early 1970s the time it took to get a weapon from the drawing board into the field was only 4 years, *vs.* 10 years to 12 years today. To help reach that goal the Reagan Administration is likely to encourage multiyear contracts for defense spending.

Says John W. Dixon, chairman of electronic weapons giant E-Systems of Dallas, "The year-by-year approach to defense contracts is just appalling. If we had multiyear contracts we could do the kind of resource planning that would speed up acquisition time." If Dixon gets his wish the 1981 defense industry boom may be the beginning.—**Michael Kolbenschlag**

Aerospace and defense

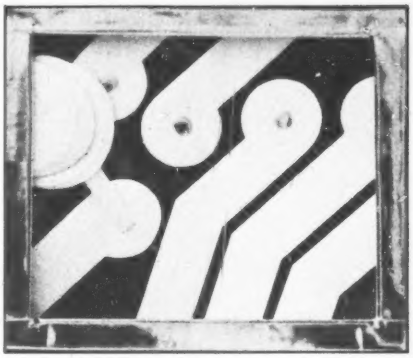
Yardsticks of management performance

	Profitability								Growth			
	Return on equity			Return on total capital					Sales		Earnings per share	
Company	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
Boeing	23.7%	6	31.3%	0.0	27.0%	3	20.5%	6.4%	13.6%	10	46.3%	1
Raytheon	22.7	7	23.6	0.1	27.4	1	21.6	5.6	14.6	8	24.2	6
E-Systems	21.9	8	11.9	0.4	10.3	5	19.3	3.2	14.3	9	26.3	4
Wyman-Gordon	20.0	9	17.8	0.2	14.5	7	15.7	5.7	16.7	5	23.4	7
Thiokol	18.5	10	18.2	0.1	12.9	9	13.8	5.6	12.6	12	18.0	10
United Technologies	18.5	11	16.7	0.4	11.6	10	12.9	3.2	22.8	2	24.5	5
Cessna Aircraft	17.2	12	10.3	0.1	9.2	8	13.8	2.8	17.6	4	15.1	11
Rockwell Intl	15.7	13	18.6	0.3	14.1	13	11.3	4.1	11.8	13	10.5	12
General Dynamics	15.5	14	22.9	0.1	17.5	12	12.4	4.4	13.5	11	19.0	9
McDonnell Douglas	13.1	15	10.4	0.1	10.4	11	12.5	2.6	9.6	14	7.6	14
Grumman	12.8	16	8.6	0.8	8.2	15	9.0	1.7	8.9	15	D–P	
Rohr Industries	1.0	17	1.0	1.2	4.8	17	2.4	0.2	0.4	17	P–D	15
Industry medians	**20.0**		**18.2**	**0.2**	**14.1**		**13.8**	**4.1**	**14.3**		**22.7**	
All industry medians	**15.8**		**16.1**	**0.4**	**11.0**		**11.1**	**5.0**	**14.3**		**13.9**	

Note: Explanation of Yardsticks calculations on page 49.
P-D: profit to deficit. D-P: deficit to profit; not ranked.

One of America's staid old industries has learned a marketing lesson: If you can't sell them lemons, peddle lemonade.

Electrical equipment



EVERY CLOUD HAS ITS SILVER LINING. Take the cloud that rising electricity prices have put over America's electrical equipment industry. As prices soared, the growth in electric demand plummeted, and so did utilities' orders for new generating plants. That devastated one of the industry's key markets, which shows few signs of coming back to life soon.

That's the bad news. The good news is that the industry, composed mainly of staid, old-line companies, like Westinghouse and GE, has rallied with surprising speed, and discovered that soaring electric rates have given it a new product: the ultraefficient electric motor.

The new motors introduced about a year ago are selling like hotcakes—at least like what passes for hotcakes in the electrical equipment business. The new motors, carrying premium prices and higher-than-normal profit margins, are taking about 7% of the market for new motors, and General Electric's Van Williams, a senior vice president, expects them to be grabbing 10 times that much by the end of the decade: "It is almost inconceivable," he says, "that anyone would buy a standard motor if he can get an energy-saving motor."

"We can't keep them in stock," says Walter Stiffler of Reliance Electric, the big Euclid, Ohio motormaker gobbled up by Exxon in 1979. "The demand has outstripped our capacity." Reliance plans to meet the demand by converting some of its capacity to its new XE line sometime this year.

The new breed of electric motor isn't exactly your basic household item. "If you're thinking of buying an extra-efficient motor for your garage door opener, forget it," Stiffler says. The market is for industrial users of motors ranging from 1 to 150 horsepower for applications that involve almost-continuous operations. A sewage plant or a refinery is what he has in mind.

Take your basic 50 horsepower Reliance XE motor, about 100 times the horsepower of a typical basement sump pump. Reliance claims electricity use for a typical 50 horsepower motor is 41.2 kilowatts, but the improved XE motor of the same rating takes only 39.6 kilowatts. If you assume the motor runs 7,200 hours a year using electricity that costs a nickel a kilowatt-hour, the saving by using the XE motor would be $576 a year.

Reliance says its new motor reduces wasted power by about a third, and other manufacturers—Gould and GE, among others—make similar claims. Given the industry's antitrust problems, no one wants to be quoted about competitors' equipment. Indeed, people in the industry profess not to know how efficient other manufacturers' motors are.

The new line of energy-efficient motors offers a refinement of existing motor technology, rather than the dramatic breakthrough Exxon claimed to have made in mid-1979, when it announced it planned to take over Reliance to help reduce America's oil imports.

Howard Jordan, one of Reliance's high-ranking engineers, said work started on the new motor line in early 1978, before

Electrical equipment

Yardsticks of management performance

	Profitability								**Growth**			
	Return on equity			Return on total capital					Sales		Earnings per share	
Company	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
AMP	26.9%	1	27.1%	0.1	23.6%	1	22.8%	11.5%	17.3%	6	22.4%	2
Square D	24.4	2	23.0	0.3	17.6	2	19.7	8.0	13.5	8	12.6	10
Crouse-Hinds	22.0	3	23.2	0.1	21.0	5	18.7	7.9	20.5	3	18.8	3
Emerson Electric	20.9	4	21.4	0.2	19.9	4	19.3	7.8	18.7	5	14.3	7
Copeland	20.8	5	22.5	0.2	17.8	6	18.2	5.2	11.4	9	15.0	6
General Electric	20.3	6	20.2	0.1	18.1	7	18.1	6.1	11.4	10	12.2	11
W W Grainger	20.0	7	17.5	0.0	17.2	3	19.5	5.8	19.2	4	18.4	4
Harvey Hubbell	16.7	8	17.6	0.0	16.6	8	16.3	7.4	14.1	7	10.0	12
Gould	15.7	9	11.0	0.6	7.9	11	12.0	3.9	24.6	1	12.7	9
Raychem	14.7	10	18.7	0.0	17.2	9	13.7	7.3	24.4	2	25.2	1
McGraw-Edison	14.1	11	10.3	1.3	5.5	10	12.7	2.4	11.2	11	12.9	8
Westinghouse Electric	13.9	12	17.8	0.2	15.2	12	11.5	4.9	5.0	13	16.4	5
Robertshaw Controls	10.2	13	8.6	0.4	6.7	13	8.2	2.7	10.7	12	7.5	13
Industry medians	**20.0**		**18.7**	**0.2**	**17.2**		**18.1**	**6.1**	**14.1**		**14.3**	
All industry medians	**15.8**		**16.1**	**0.4**	**11.0**		**11.1**	**5.0**	**14.3**		**13.9**	

Note: Explanation of Yardsticks calculations on page 49.

Reliance was even a gleam in Exxon's corporate eye.

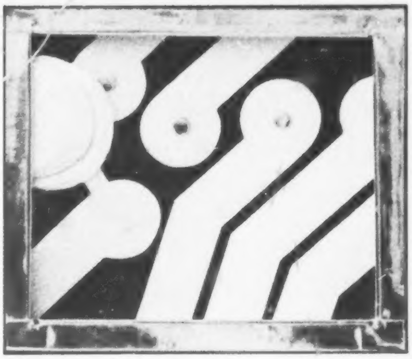
The new motors use more copper, a higher grade of steel and have design changes to reduce power use. The Exxon process, which uses micro-processors to reduce motors' loads when their full output isn't needed, is being further developed at Reliance. There's no way to tell when—or if—motors using that process will reach market. Because of a temporary consent agreement between Exxon and the Federal Trade Commission, the people who developed Exxon's process aren't allowed to deal with Jordan and his Reliance people, who developed the more efficient Reliance motor. The Reliance motor uses less power than earlier motors, but puts out a constant output.

GE's Williams says his company is working on new control technology, and hopes to mate it with the new, efficient motor line. "You match an energy-saving motor with the variable-speed drive, and you increase the savings," he says.

Williams is thinking not only of selling his new line of motors as new equipment but also of getting customers to throw out perfectly serviceable motors because the new ones cut electric costs so much that they pay for themselves in a short period. Reliance is trying to do the same. No one will say how successfully they've been able to push the "planned obsolescence" pitch. "We've gotten several cement companies to do that," Williams says, "and we're working with hospitals and motels to get them to do it, too."

The industry's new line of motors was produced without government threats, Department of Energy guidelines or congressional mandates. It shows once again that in a free economy the market system can do the job, provided people give it enough time. The industry should be proud of itself. Now that its generating plant business has turned into a lemon, the marketing men are helping salvage lemonade.—**Allan Sloan**

For the semiconductor maker it's a difficult choice: too much capacity to supply a recession, too little to meet a boom.



Electronics

SHADES OF 1974. THE ELECTRONICS INDUSTRY may give us a repeat performance of the last recession. Remember what happened then: a period of price-cutting and overcapacity, a cutback in industry expansion programs, then a tremendous upsurge in demand and too little capacity to meet it. Is it happening all over again?

Industrywide spending was up 60% in 1979, and then 45% in 1980; 1981 will be flat. And many firms are now quietly cutting capital spending for semiconductors. Advanced Micro-Devices cut $25 million out of a $75 million program that was to be up 20%, and Motorola trimmed about $15 million off its $195 million program last fall. Intel had been talking about spending $175 million this year; now it looks like $150 million. Less than three months after Hewlett-Packard announced plans to spend $350 million, it cut back its commitment by $60 million.

Not that these firms are openly announcing these cuts. They're simply spending less than they had planned. But if, as the industry is so fond of saying, uses for semiconductors in the Eighties are "as limited as your imagination," why ease off spending? Such companies protest that current cutbacks don't signal trouble ahead if the economy takes off as it did following

Getting the upper hand

Intel's Moore

Since the birth of the industry, electronics and computer manufacturers have demanded that they be able to buy most of the important parts in their equipment from at least two sources. They simply did not want to be captive to any single supplier, and they wouldn't buy otherwise. So technological innovators like Intel and Texas Instruments were forced to license their newest products, after years of research and staggering development costs, to competitors just to get devices on the market.

But all that may be changing. "Once people can copy your product, then it no longer pays to have poured all that money into development," says Gordon Moore, Intel's practical chief executive. With skyrocketing R&D costs, licensing is no longer a practical thing for firms like Intel. "If customers continue to insist on multiple sourcing, that could slow down the development of new devices," Moore continues. So far Moore is just talking, but for the first time partsmakers like Intel may have the size and financial clout to make such a threat stick.

Bruce Watts, senior electronics analyst at Keystone Custodian Funds in Boston, agrees. The research efforts are so expensive, he says, and take so long that the partsmakers will "have to charge what the market will bear."

The big computer and electronics companies here always worried about the possibility of a parts monopoly, and talk like that makes them shake in their boots. Even Watts admits that, if multiple sourcing were ended, it would help the margins of the larger, heavy-spending electronics firms, and put some real pressure on the firms that used to license.

But it could work another way too: Smaller semiconductor and electronics firms could run with what they are best at, leading to more specialization in the industry, and perhaps better use of research and development dollars.—C.M.

Electronics

Yardsticks of management performance

	Profitability								Growth			
	Return on equity			Return on total capital					Sales		Earnings per share	
Company	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
Teledyne	36.1%	**1**	27.7%	0.2	21.1%	**3**	23.4%	11.6%	11.0%	**20**	51.8%	**2**
Schlumberger	32.6	**2**	36.3	0.2	30.0	**1**	29.8	18.8	23.6	**4**	35.3	**5**
Intel	30.5	**3**	30.2	0.0	29.2	**2**	29.7	11.7	45.5	**1**	39.5	**3**
EG&G	26.1	**4**	38.8	0.1	26.6	**5**	21.0	4.2	25.1	**3**	26.6	**10**
Lear Siegler	24.2	**5**	22.4	0.6	14.4	**13**	14.2	4.6	13.2	**15**	34.0	**6**
Raytheon	22.7	**6**	23.6	0.1	27.4	**4**	21.6	5.6	14.6	**14**	24.2	**12**
Natl Semiconductor	22.4	**7**	29.1	0.4	20.1	**10**	16.8	5.4	36.1	**2**	26.9	**8**
Avnet	20.6	**8**	21.5	0.2	19.8	**8**	17.4	5.7	15.2	**13**	16.3	**18**
Harris Corp	19.8	**9**	19.7	0.4	13.2	**12**	15.1	6.1	15.3	**12**	31.9	**7**
Texas Instruments	19.4	**10**	21.4	0.0	21.1	**6**	18.6	5.3	17.6	**9**	18.0	**15**
Tektronix	19.3	**11**	18.8	0.3	15.4	**9**	16.9	8.4	23.5	**5**	26.7	**9**
Hewlett-Packard	18.7	**12**	21.4	0.0	20.6	**7**	18.1	8.7	23.3	**6**	22.7	**14**
GK Technologies	17.1	**13**	24.8	0.6	14.4	**18**	10.4	5.0	15.4	**11**	15.6	**20**
Perkin-Elmer	16.7	**14**	20.7	0.3	17.4	**11**	15.5	6.7	21.7	**7**	18.0	**15**
General Instrument	16.5	**15**	20.9	0.2	17.4	**16**	12.6	7.5	10.9	**21**	36.8	**4**
Motorola	15.8	**16**	17.3	0.3	14.4	**14**	14.0	5.7	12.9	**16**	16.0	**19**
Corning Glass Works	15.4	**17**	13.5	0.2	11.9	**15**	12.9	7.6	8.1	**23**	16.8	**17**
Beckman Instruments	15.0	**18**	14.9	0.3	12.3	**17**	12.5	6.5	16.4	**10**	24.1	**13**
North Amer Philips	14.6	**19**	12.7	0.2	9.1	**19**	10.1	2.9	20.1	**8**	15.2	**21**
General Tel & Elec	14.4	**20**	9.9	0.9	5.3	**25**	7.0	4.6	11.7	**18**	7.6	**24**
Ampex	14.4	**21**	16.4	0.5	12.1	**22**	8.8	5.2	5.0	**25**	D–P	
Honeywell	13.4	**22**	13.2	0.2	10.0	**20**	10.1	4.6	8.6	**22**	14.7	**22**
American Tel & Tel	12.7	**23**	12.8	0.7	7.1	**23**	7.2	12.1	11.6	**19**	9.2	**23**
Bunker Ramo	12.1	**24**	15.0	0.4	11.3	**21**	9.4	5.2	7.0	**24**	80.5	**1**
Varian Associates	8.1	**25**	12.2	0.4	10.5	**24**	7.1	3.6	12.3	**17**	25.6	**11**
Industry medians	**17.1**		**20.7**	**0.3**	**14.4**		**14.2**	**5.7**	**15.2**		**24.2**	
All industry medians	**15.8**		**16.1**	**0.4**	**11.0**		**11.1**	**5.0**	**14.3**		**13.9**	

Note: Explanation of Yardsticks calculations on page 49.
D-P: deficit to profit; not ranked.

the 1974-75 recession. There are a few making sure they don't get caught again—Bunker-Ramo and National Semiconductor, among others.

"Technology is America's last hope for exports, for productivity gains, for employing people," says National Semiconductor Treasurer John L. Nesheim. "We just don't have a unique strategic situation like OPEC's oil. The opportunities to apply semiconductors grow faster than we can supply them." Semiconductor components account for three-fourths of National's $980 million revenues and all its profits and, according to Nesheim, National wouldn't even consider a cut in its $150 million program, up 50% over 1980.

Neither would Duane Burnham, head of $500 million (sales) Bunker-Ramo. "We have seen this before," he says. "A lot of people indicate they are cutting back on capital spending. The technology requires that we increase spending for more advanced equipment. We don't want to be caught short." And, Burnham adds, what good are new plants without a staff, or if delivery of all the new machinery is delayed six months?

The electronics companies have good reason to be looking over their shoulders. The Japanese are running hard, and if the U.S. firms can't supply the demand when the economy heats up, the Japanese will. Japanese companies have already announced plans to build plants here. Plenty of people are scared.

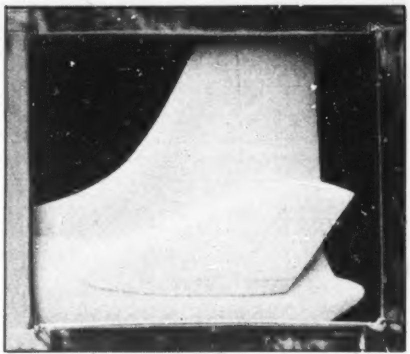
"U.S. producers have to turn very fast now to keep the Japanese from getting the same opportunities we gave them in 1974," admits Stewart Carrell, senior vice president of Texas Instruments. In building the required staff for their new plant the Japanese will add to a critical shortage of electrical engineers. "But I see most of the leaders have kept their nerve up in capital spending, and I don't think we will see the economy rebound the same way as it did before."

But it does require some nerve to keep on expanding. Manufacturers, distributors and customers claim they have inventories under control. But inventory under control today could be way out of control tomorrow. Where the industry had slower *growth* during 1980, it could face a decline in the first half of 1981. "If the recession doesn't end in the first quarter," says John Welty, who heads up both Motorola's semiconductor group and the Semiconductor Industry Association, "you could see three or four periods of overcapacity and price-cutting in the industry." That has already started in memory components like the 16K RAM chips, able to store 16,000 bits of information. When prices collapsed last summer many manufacturers, including Intel, stepped back from the market. The same could happen in other components.

"During a recession," says Anthony Hamilton, chairman of Avnet, the U.S.' largest distributor of electronic components, "managements make moves they regret later on." He worries less about inventories today than he does about shortages tomorrow. So does Gordon Moore, CEO of Intel.

So far prices overall are more stable than in 1974, and with luck they'll continue to hold. There are hopes in the industry that Congress will pass some new legislation that would allow two-year full depreciation instead of the five years allowed now, along with generous tax credits for increased R&D expenses. Though electronics is one of the U.S.' few remaining declining-cost industries, as National's Nesheim says, "You still have to have capital to spend, and the proposed legislation would keep it flowing."—**Christine Miles**

Will deregulation reverse the balance between the trunk lines and the regional airlines?



Airlines

THE RICH ARE GETTING POORER and the poor are getting richer: That's the airline business today. Passenger traffic was down 10% in October, 4% overall last year. The trunk lines—those ten majors whose routes span the continent and serve 85% of the market—were hardest hit of all. Their traffic was off as much as 6% because of the recession. Operating costs were up because of the soaring cost of fuel, and to fill up their empty seats they began reaching to build the market with cut-rate fares. Which, in turn, sent their profits reeling.

But the short-haul regional carriers—USAir, Piedmont, Southwest and others—were still filling their seats. The trunks pulled out of many supposedly higher-cost, short-haul markets such as Charleston, W.Va. and Providence, R.I., and the regional carriers took up the slack. Sometimes less competition meant fewer bargain rates, too. When Continental pulled out and TWA cut back on flights on the Chicago-Los Angeles route, American and United raised fares sharply.

Then, too, with deregulation, airline executives were forced to fall back on their own resources, and the results have been disheartening. The classic strategic mistake involves newcomers trying to price their way into the competitors' bread-and-butter markets and starting ruinous price wars. Eastern offered the first cut-rate transcontinental flight, causing American, United and TWA to follow. United started offering discounts on the Chicago-Houston run; soon Delta, American and Braniff did the same. Everybody moved into the New York-Los Angeles markets. The net result was millions of dollars in losses for all.

"None of the rules of the game apply in the airline industry anymore. The haves have become the have-nots and vice versa," says transportation analyst Michael Derchin of Oppenheimer & Co. The ten trunk airlines may have lost $150 million this past year while short-haul regional and commuter airlines added $125 million to their combined net income. But no generalization is really airtight. Among the trunks, Delta is prospering; among the regionals, Republic and Ozark are faltering. At the heart of the changing industry is deregulation—the new freedom to move in and out of markets at will—and the "hub-and-spoke" systems some carriers are building or abandoning. An airline flies passengers from small cities to such major hubs as Atlanta or Chicago, where they are fed into its other flights, fanning out like the spokes of a wheel. Some trunk carriers like troubled United are chipping off spokes to

Airlines

Yardsticks of management performance

	Profitability								**Growth**			
	Return on equity			**Return on total capital**					**Sales**		**Earnings per share**	
Company	**5-year average**	**5-year rank**	**latest 12 months**	**debt/ equity ratio**	**latest 12 months**	**5-year rank**	**5-year average**	**net profit margin**	**5-year average**	**5-year rank**	**5-year average**	**5-year rank**
Emery Air Freight	35.7%	**1**	28.8%	0.1	26.6%	**1**	34.4%	3.7%	19.4%	**4**	14.2%	7
Piedmont Aviation	22.8	**2**	18.7	2.3	7.7	**5**	8.7	2.7	17.6	**7**	19.4	5
Frontier Airlines	22.8	**3**	17.9	1.0	10.4	**2**	15.1	4.2	19.1	**5**	25.3	**4**
USAir	22.2	**4**	29.5	0.9	13.8	**3**	9.9	5.6	15.8	**9**	136.8	**1**
Delta Air Lines	16.7	**5**	12.1	0.1	7.5	**4**	9.1	3.4	16.4	**8**	13.9	**8**
Western Air Lines	14.0	**6**	def	1.2	def	7	6.5	def	13.8	**12**	9.3	**9**
Tiger International	12.9	**7**	10.5	2.3	5.1	**8**	5.8	2.9	21.5	**3**	8.0	**10**
Republic Airlines	11.9	**8**	def	1.9	def	**6**	7.7	def	25.5	**2**	4.3	**12**
Eastern Air Lines	10.6	**9**	def	2.9	1.2	**10**	5.4	def	13.4	**14**	D–P	
American Airlines	8.7	**10**	def	1.2	def	**11**	5.3	def	13.3	**15**	D–P	
UAL	8.1	**11**	def	0.9	0.5	**14**	4.1	def	12.9	**16**	15.7	**6**
Northwest Airlines	8.0	**12**	0.4	0.1	0.3	**9**	5.5	0.2	13.9	**11**	7.1	**11**
Trans World	7.5	**13**	def	2.0	1.5	**12**	4.5	def	14.8	**10**	D–P	
Continental Airlines	7.1	**14**	def	1.3	def	**13**	4.4	def	13.8	**13**	26.3	**3**
Pan Am World Airways	6.4	**15**	def	1.3	def	**15**	3.9	def	10.5	**17**	D–P	
Braniff Intl	def	**16**	def	3.3	def	**16**	3.4	def	18.1	**6**	P–D	**13**
Federal Express	**		29.4	0.8	18.4		**	8.8	59.0‡	**1**	112.2‡‡	**2**
Industry medians	**11.3**		**def**	**1.2**	**1.2**		**5.7**	**def**	**15.8**		**14.2**	
All industry medians	**15.8**		**16.1**	**0.4**	**11.0**		**11.1**	**5.0**	**14.3**		**13.9**	

Note: Explanation of Yardsticks calculations on page 49.
‡ Four-year growth. ‡‡ Three-year growth. P-D: profit to deficit. D-P: deficit to profit; not ranked. def: deficit.
**Not available; not ranked.

save money, a move questioned by other airline executives and analysts, says Derchin. Some regionals, USAir, for example, are looking for new longer routes so they can match the hub-and-spoke system used by the majors.

As the trunks and the smaller airlines vie for market shares, the distinctions between them will become blurred. "Watch for the smaller carriers getting larger and the larger carriers getting smaller," says Civil Aeronautics Board Chairman Marvin Cohen. USAir moving out of Pittsburgh into the Southwest, Piedmont expanding from the Southeast into the Southwest, Frontier growing from the Rocky Mountain region into the Midwest and West Coast all illustrate the first part of the trend. TWA and Continental retrenching on the Chicago-Los Angeles route, and United pulling out of the Grand Rapids-Chicago route illustrate the shrinking of the larger airlines.

In part it is a matter of matching equipment to route structure. "Carriers without wide-body aircraft are in a better competitive position. It's simply a case where smaller may be better than bigger," says Edwin Colodny, chairman of the board and president of USAir, formerly Allegheny Airlines.

Edwin Colodny of USAir

Smaller may be better.

Conventional aircraft are less costly to operate and more adaptable to changing traffic conditions. Which is why it may be easier for a regional to trade up than a trunk to cut back.

"I call these regional carriers—USAir, Southwest and Frontier—the emerging growth stocks of the Eighties," says analyst Derchin, predicting USAir will grow by 20% for the next five years.

Next year may be better for all the carriers. Says Colodny: "If you start with the assumption that the economy will have a modest recovery, you can expect a resumption of traffic growth, but not a sharp upturn, under 10%." Says Cohen of the CAB: "Industry people are taking a look at who's doing well and emulating those patterns: low costs, quick turnarounds, short-haul, low-fare service."

But the skies ahead are still cloudy. Even if revenues recover this year, another oil-supply crunch could send fuel prices soaring, and as new airlines try to muzzle into old markets, price wars could develop, even along short-haul routes, including those in USAir's northeast territory. What exactly is ahead is unclear. But nothing is going to be what it used to be.—**Beth Brophy**

Filling the slots

Airplanes don't just fly, they have to take off and land, and how often they do depends on the number of slots available—the number of landings and takeoffs permitted at the nation's most congested airports.

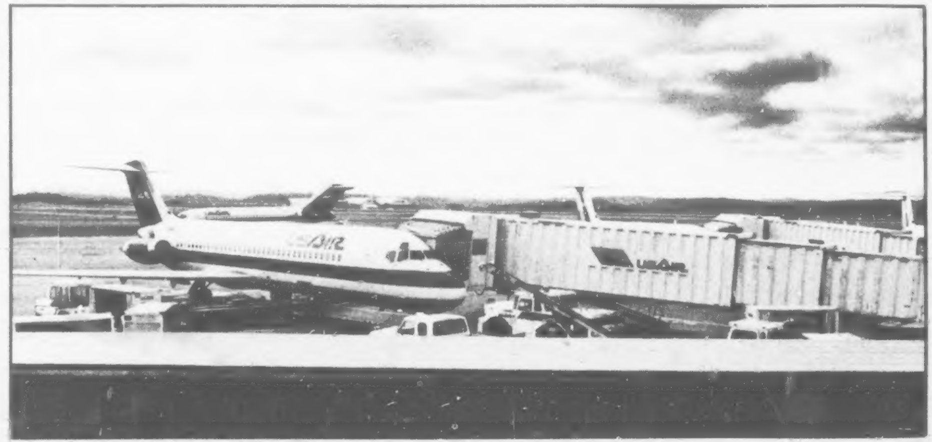
With deregulation, everybody wants to fly the good routes and land at the most convenient fields. But that's the paradox of deregulation: Sometimes there's no room at the inn. "We're trying to build a competitive system with freedom of exit and entry," says CAB Chairman Marvin Cohen. "But how do we get the airport structure to accommodate the fluidity of airlines gaining and dropping markets?"

The "slot" system began in 1969 when the Federal Aviation Administration, a division of the Department of Transportation, set quotas to control airspace congestion at four major airports in New York, Chicago and Washington. Nowhere is the slot problem more severe than at Washington National, which has only 40 commercial slots per hour, *vs.* 60 at LaGuardia, 70 at Kennedy (80 per hour between 5 p.m. and 8 p.m.) and 115 at O'Hare. Of course, adding an extra section to a scheduled flight still counts as only one slot, so the system is a kind of shell game. At National, existing airlines want to expand their slots and new airlines want in, but the nearby residents have insisted on less noise, which means fewer flights and shorter airport operating hours. National shuts down at 11 p.m. for eight hours. Residents want slot cutbacks, in fact, and the FAA is so worried about offending the public they may get them. One way to get more slots is to expand runways, but try and get folks nearby to move.

The last hassle over slots at National lasted months when Texas Air proposed a new cheapie Washington-New York route to compete with Eastern's shuttle. In the past, airline representatives have sat down at a negotiating table twice yearly to set six-month slot schedules. But Texas Air wanted 20 slots and none of the existing airlines wanted to relinquish any. The FAA, owner of Washington National, made the decision. Texas Air got 18—those Texans are influential in Washington—trimming landing rights from the other airlines and opening a route war with Eastern (FORBES, *Nov. 27, 1980*).

"There has been tremendous political pressure to accommodate the Texan airline because of the large population of Boston, New York and Washington. Plus we have some Texans lobbying," admitted Michael Callaway, airport access coordinator at CAB.

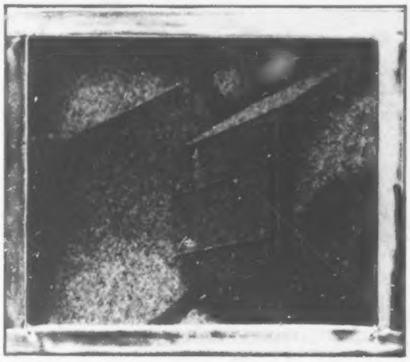
Squabbles over slots may get worse in the Northeast corridor. "The FAA predicts that between now and 1990, 60 more airports will become saturated unless new runways are built," adds Callaway. "We think it limits the effectiveness of deregulation in holding down ticket prices when whoever gets landing rights is thrown into a monopoly or oligopoly situation."—B.B.



Docking at Washington National Airport

Travelers want to land at close-in airports, but neighbors want fewer flights.

It'll probably take a national crisis or a national commitment like the Apollo program to get capital spending booming again.



Industrial equipment

THERE'S NO NEED TO REMIND the industrial equipment companies that U.S. industry isn't spending anything like enough on capital goods. They've known about that for years. And they also know it'll take more than slogans to replace the billions of dollars' worth of obsolete production machinery still in place throughout the U.S. Billions of dollars and probably some crying necessity. Companies like Ingersoll-Rand and Cooper Industries, which serve the energy-producing oil, gas and coal-mining industries, are booming. Aerospace orders are picking up in response to fuel prices, noise regulation and a new generation of aircraft. And the auto industry's plans to spend $80 billion in five years to catch up with import competition are propping up machine tool orders.

But a good portion of U.S. industry isn't going anywhere—like the construction industry (which Wallace Murray and Amerace supply) and farm equipment (Deere, International Harvester). As Paine Webber Mitchell Hutchins analyst Eli S. Lustgarten points out, more than two-thirds of American machine tools are now over 10 years old, one-third are over 20 years old and, in the aerospace industry, fully 75% of the machine tools are over 10 years old. The result: lower productivity and efficiency rates relative to their foreign competition. Says Lustgarten: "For too long, we've been living off the good deeds of the Sixties."

But the harsh fact remains that U.S. industry is running at only 78% of capacity because of the recession, and most businessmen can't see aggressively expanding or modernizing unless the market is there. "Remember," Lustgarten says, "we have the technology right now to improve overall efficiency and productivity, but no matter what you do to improve your efficiency, if your customers aren't buying you can't make money and you've probably increased your leverage." That's what happened to Ingersoll-Rand, which invested heavily in new plant in the early 1970s in response to predictions of a massive capital spending spree. When it became apparent that the market was not there, IR's profit margin took a beating.

Despite IR's bitter object lesson and despite softness in the semiconductor and small-press printing machinery industries that make up 40% of Harris Corp.'s sales, the company is going full tilt with a $500 million, five-year capital spending program. Warns Harris President Jack Hartley: "What's slowing capital investment is the softness in sales, and that's partly because interest rates are over 18% right now. My reaction to that is if you don't invest now, you are going to have an even worse problem on your hands." Hartley thinks that interest rates may go higher and that companies could lose even more competitive ground for lack of sufficient productive capacity.

CINCINNATI MILACRON

Robot dazzles the crowd at recent machine tool show
Its main selling point is productivity.

Take the machine tool industry, for example. After 1979, when the industry's aftertax profit margin rose to 6.4% from 4.4%, the larger machine tool companies saw their order backlogs stretch out from under a year to over a year and a half. When foreign toolmakers began to take over the business, companies like Ex-Cell-O and Cincinnati Milacron started falling over themselves to add capacity. "It's a down-to-earth reason," says Laura Conigliaro with Bache in New York. "With their lead times getting longer, they were losing business to foreign competitors. But it's easier to say, 'Well, we're doing this because of the reindustrialization of America.'" The market share gains of the foreign toolmakers are startling. Imports, led by the Japanese, accounted for some 22.6% of last year's sales—up from 22.2% in 1979. Yet overseas, U.S. manufacturers have been hanging on with only a 3.6% market share.

One of the principal reasons for the foreign producers' greater productivity is that their govern-

That garbage about garbage

Michael Dingman, CEO of Wheelabrator-Frye
Most of the garbage boom is newspaper puff.

If the customers aren't buying, there's not much the equipment manufacturers can do about it, and that, says Michael D. Dingman, CEO of Wheelabrator-Frye, is the trouble with what is potentially one of the industry's hottest markets—the infant garbage-to-energy business. The customers aren't really buying. "If all the jobs that were publicized in various papers really *were* jobs," Dingman says wearily, "the garbage-to-energy business would be a helluva business. But most of it is newspaper puff." Take, for example, the recent announcement that Portland, Ore. had entered into a 25-year contract to supply garbage to a Publishers Paper mill nearby. "There is no garbage up there yet," says Dingman. "This is just talk. It's an announcement a politician gets credit for."

There are a number of major companies waiting to cash in on this potentially multibillion-dollar industry: Combustion Engineering, Combustion Equipment, Waste Management and Occidental Petroleum, among others. But so far only 30 or so garbage-to-energy plants have been built, enough to absorb only 5% of the 150 million tons of recoverable garbage dumped every year in America. There are maybe a hundred others on the drawing board, but the fact is, even if enough were in place to absorb all the U.S.' garbage production, they could displace only 2% of the nation's energy requirements. Whatever else, garbage is no solution to the U.S.' energy problems.

Besides, the equipment breaks down frequently. So it's hard to make a decent profit, and the garbage supply can be erratic. Dingman says Wheelabrator-Frye's Saugus, Mass. plant, which supplies steam power to a nearby GE plant in Lynn, will turn a profit for the entire year, but only because all the elements finally came together: steady supply of garbage, relatively constant energy demand and WF's specially applied European technology.

The government, through the DOE, is offering construction loan guarantees and price-support loans to encourage people to move, but Dingman doubts the industry will take off until there's is no alternative. Says he: "When the existing garbage dumps get closed, which is easier said than done, and when the people who involve themselves decide to truly solve the problem, then facilities like ours will be a welcome addition to communities."—G.O.

Industrial equipment

Yardsticks of management performance

	Profitability								Growth			
	Return on equity			Return on total capital					Sales		Earnings per share	
Company	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
Production equipment												
Briggs & Stratton	23.8%	**1**	22.0%	0.0	21.4%	**1**	23.4%	6.8%	13.7%	**10**	12.3%	**13**
Sundstrand	21.2	**2**	23.4	0.4	15.8	**9**	13.1	8.5	14.3	**9**	26.8	**4**
CBI Industries	20.6	**3**	19.3	0.0	15.8	**2**	16.8	9.1	7.4	**16**	12.4	**12**
Johnson Controls	19.6	**4**	10.9	0.4	8.9	**3**	16.2	3.5	21.7	**1**	24.2	**6**
Cincinnati Milacron	19.4	**5**	31.2	0.4	21.3	**6**	13.3	9.8	11.9	**13**	41.3	**1**
Wallace-Murray	18.4	**6**	16.5	0.5	12.2	**7**	13.3	5.4	12.5	**12**	24.7	**5**
Parker-Hannifin	17.8	**7**	17.0	0.4	13.8	**5**	13.7	5.4	17.1	**3**	13.6	**11**
Harsco	17.5	**8**	14.7	0.2	12.6	**4**	14.2	4.7	14.4	**8**	14.4	**10**
Eagle-Picher Inds	16.5	**9**	12.6	0.3	10.3	**10**	12.9	4.6	10.9	**15**	11.9	**14**
Midland-Ross	16.1	**10**	17.8	0.3	13.4	**11**	12.1	4.8	13.5	**11**	19.7	**7**
Norton	16.0	**11**	18.4	0.2	14.9	**8**	13.2	6.6	15.9	**4**	16.7	**9**
Ingersoll-Rand	14.2	**12**	14.0	0.4	10.8	**12**	11.0	5.2	14.9	**6**	5.5	**15**
H K Porter	14.2	**13**	12.4	0.7	9.2	**13**	10.8	2.6	14.8	**7**	28.6	**3**
Acme-Cleveland	12.6	**14**	16.7	0.5	12.2	**14**	9.6	4.2	15.4	**5**	19.3	**8**
Chic Pneumatic Tool	7.4	**15**	5.6	0.5	5.7	**15**	7.5	1.9	11.0	**14**	–5.1	**16**
Cross & Trecker	**		25.9	0.1	24.6		**	9.2	17.5‡	**2**	33.7‡	**2**
Medians	**17.5**		**16.9**	**0.4**	**13.0**		**13.2**	**5.3**	**14.4**		**18.0**	

Note: Explanation of Yardsticks calculations on page 49.
‡Four-year growth. **Not available; not ranked.

ments do more to encourage capital equipment spending. "This is the kind of competition U.S. industry is facing," says James A.D. Geier, CEO of the $800 million (sales) Cincinnati Milacron. He goes on to explain the Japanese government's massive promotion of industrial robots. First, the government set up a robot-leasing company, then it began offering low-interest loans to small and medium-size companies that bought the robots. In addition, robot users can take 12.5% of the robot's purchase price in depreciation the first year—*on top of* the normal liberal depreciation rate.

But Geier goes on: "I've been trying to tell everyone, yeah, we need 10-5-3, or whatever numbers that come up, but don't think that's going to turn everything around. It won't." Not if the market and the rate of return aren't there. Adds Lustgarten: "What the fast-depreciation laws and tax credits are trying to do is to help the businessman calculate the return on investment that justifies the expense. But that's only half of the equation that determines whether he will go ahead with capital spending. The other half is the economic environment. If he's looking at a 65% operating rate, you can give him all the tax credits you want, but it's not going to help much."

Little wonder that some businesses are reluctant to spend for machinery that will sit idle. In moments of crisis, however, market and investment criteria go out the window as companies fight to survive. That's why the automakers are spending billions for sales dollars that may never develop. Says Lustgarten: "Government policy dictated a forced change for the automakers, but it was the consumer who bought imports and put the final nails in." From his perspective, the market dominates decisions on new capital investment.

William L. Wearly, recently retired CEO and chairman of Ingersoll-Rand Co., believes the U.S. needs a more abstract compulsion to set off any rush to modernize the U.S. industrial plant. Now that the decade of consumer spending is over, Wearly predicts the nation will rally around some cause, like a massive synfuels program: "A synfuels program will have an enormous impact on the GNP. Like the space programs of the Sixties, we saw only a few rockets going up, but the industry behind it was huge. If we don't get on a mission like that, the revitalization of America just won't happen."—**Gerald Odening**

Industrial equipment

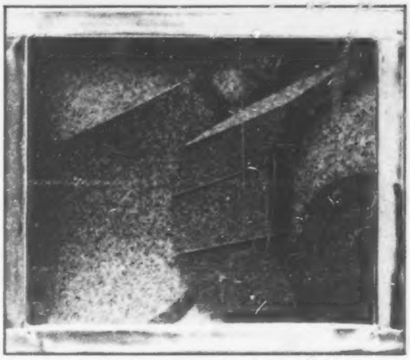
Yardsticks of management performance

	Profitability								**Growth**			
	Return on equity				**Return on total capital**				**Sales**		**Earnings per share**	
Company	**5-year average**	**5-year rank**	**latest 12 months**	**debt/ equity ratio**	**latest 12 months**	**5-year rank**	**5-year average**	**net profit margin**	**5-year average**	**5-year rank**	**5-year average**	**5-year rank**
Specialty equipment, materials												
Trinity Industries	26.8%	1	37.4%	0.4	28.0%	2	20.1%	5.7%	18.8%	9	24.1%	8
Cooper Industries	24.9	2	19.9	0.4	13.5	1	20.4	7.9	26.2	3	27.4	3
Foster Wheeler	23.1	3	23.3	0.2	19.8	3	18.9	3.4	15.1	16	27.0	4
Tyler	21.6	4	16.1	0.9	10.8	9	15.4	3.5	15.5	12	16.4	15
Ametek	21.1	5	18.7	0.4	13.1	7	16.5	5.4	12.0	25	15.5	18
Combustion Engnrng	20.8	6	32.6	0.2	12.2	23	12.3	3.7	12.4	24	20.7	12
Waste Management	20.6	7	23.8	0.4	16.4	20	13.1	9.6	23.8	4	27.6	2
Marley	20.4	8	15.6	0.1	15.4	5	17.8	4.1	20.9	7	25.5	5
Harris Corp	19.8	9	19.7	0.4	13.2	11	15.1	6.1	15.3	13	31.9	1
Tecumseh Products	18.5	10	14.9	0.0	15.0	4	18.5	5.5	9.8	30	13.1	23
Big Three Industries	18.4	11	19.8	0.3	15.1	12	14.6	13.0	26.7	2	24.3	7
Illinois Tool Works	18.2	12	17.9	0.0	17.4	6	17.8	10.2	13.4	21	13.8	21
Wheelabrator-Frye	17.8	13	19.5	0.3	13.8	16	13.6	4.7	22.4	5	22.1	10
Emhart	17.6	14	13.9	0.1	12.0	8	16.3	3.3	36.6	1	16.3	16
Rexnord	17.3	15	13.6	0.3	10.6	15	13.9	4.6	14.6	17	15.9	17
Stanadyne	17.3	16	12.0	0.2	10.1	10	15.2	3.6	13.1	22	11.1	26
Zurn Industries	16.8	17	16.7	0.3	12.6	24	11.9	4.8	6.9	33	20.8	11
Dennison Mfg	16.0	18	14.1	0.2	12.3	17	13.5	4.8	14.1	19	14.0	20
General Signal	16.0	18	16.5	0.1	15.5	13	14.4	6.6	22.0	6	18.1	14
Signode	15.7	20	14.1	0.1	11.7	21	13.1	5.7	12.9	23	11.9	25
Hobart	15.0	21	14.9	0.3	12.2	24	11.9	4.8	11.5	26	7.5	29
Foxboro	14.8	22	10.5	0.1	9.9	19	13.3	5.5	15.2	15	23.4	9
Browning-Ferris Inds	14.4	23	17.4	0.6	11.0	30	9.2	6.2	11.2	27	12.2	24
Timken	14.3	24	14.2	0.0	13.2	18	13.4	7.5	13.8	20	10.7	27
Fisher Scientific	14.3	25	16.2	0.5	12.1	27	10.9	3.7	15.3	14	25.4	6
Peabody Intl	14.2	26	13.1	0.3	11.1	26	11.7	3.8	20.6	8	15.4	19
Stewart-Warner	14.1	27	11.6	0.0	11.4	14	13.9	5.6	7.6	32	9.4	28
Ex-Cell-O	14.0	28	13.7	0.2	11.7	22	12.8	4.9	15.6	11	18.9	13
Avery International	13.4	29	14.0	0.5	10.0	29	9.9	3.5	16.2	10	13.5	22
Amerace	12.7	30	11.4	0.5	7.4	31	8.0	3.2	8.4	31	3.5	30
UMC Industries	12.1	31	10.2	0.6	7.8	28	10.3	2.8	10.1	29	3.2	31
Envirotech	1.8	32	def	0.2	def	32	2.6	def	14.2	18	–26.4	32
General Refractories	def	33	1.5	0.6	3.3	33	1.9	0.3	10.9	28	P–D	33
Medians	**16.8**		**14.9**	**0.3**	**12.2**		**13.5**	**4.8**	**14.6**		**15.9**	
Industry medians	**17.1**		**16.1**	**0.3**	**12.2**		**13.3**	**4.8**	**14.4**		**16.3**	
All industry medians	**15.8**		**16.1**	**0.4**	**11.0**		**11.1**	**5.0**	**14.3**		**13.9**	

Note: Explanation of Yardsticks calculations on page 49.
def: deficit. P-D: profit to deficit.

Sometimes they're up, sometimes they're down, but these businesses are always cyclical.

Construction, mining, transport equipment



CYCLICALITY IS THE KIND OF BUSINESS these companies know best," says one construction equipment analyst. "They are particularly good at hanging on in the troughs. They've had a lot of practice at it."

These days, most of the heavy equipment producers—bulldozer, continuous miner and freight-carmakers alike—have had to marshall all the experience they have to keep on hanging in there. The cycle has turned down, and there's not much anybody can do about it, not advertising on television or cents-off coupons or even discount pricing. All they can really do is wait—for the eventual and inevitable upturn.

Take the rail equipment makers. In 1978 and 1979, the sky was the limit on new railcar orders. Everybody bought them: railroads, shippers, your friendly neighborhood doctor and dentist. In fact, third-party buyers (investors, who leased their cars to railroads) and shippers were responsible for upwards of 40% of 1979's 29,000 new boxcars. And why not? Until early 1980, investors earned inflated rents on top of a 10% investment tax credit.

Then, with the recession and a 100% oversupply of boxcars, the bottom fell out. Railroads had only enough business to use their own, so they happily retired the third-party cars and in the process saved the sky-high per diem charges, mileage charges and extra September-through-February hourly charges they had willingly paid during the car shortage. New boxcar orders plunged an estimated 90% last year; nonrailroad-buyers ordered only 41 cars through September; and between March and August only 85 boxcars were ordered nationally. Total

Construction, mining, transport equipment

Yardsticks of management performance

	Profitability								Growth			
	Return on equity				Return on total capital				Sales		Earnings per share	
Company	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
Construction, materials handling												
Hyster	21.1%	1	16.3%	0.2	14.1%	1	17.0%	7.1%	13.7%	3	27.6%	1
Caterpillar Tractor	20.1	2	14.6	0.3	11.8	2	15.0	5.7	14.6	2	13.9	2
Clark Equipment	15.3	3	10.0	0.2	8.4	3	11.7	3.7	6.0	6	11.2	5
Amer Hoist & Derrick	14.4	4	13.4	0.6	9.6	4	9.9	3.9	11.3	5	12.4	4
Pettibone	12.2	5	8.8	1.1	6.6	5	8.9	2.5	12.6	4	13.0	3
Harnischfeger	8.7	6	2.8	0.9	3.7	6	6.5	0.7	17.3	1	–1.5	6
Medians	14.9		11.7	0.5	9.0		10.8	3.8	13.2		12.7	
Mining and drilling equipment												
Baker International	23.6%	1	24.2%	0.5	17.3%	3	16.7%	9.0%	35.4%	1	28.2%	1
Geosource	23.5	2	27.4	0.4	21.2	1	19.8	7.4	24.4‡	3	27.5‡	2
Cameron Iron Works	21.9	3	22.3	0.3	16.1	7	14.1	11.1	19.7	6	25.7	3
Smith International	21.2	4	20.8	0.4	15.9	2	17.5	10.2	23.7	4	24.2	5
Dresser Industries	19.8	5	17.7	0.3	14.8	4	15.7	6.4	19.7	5	19.8	6
Bucyrus-Erie	18.2	6	13.9	0.3	11.4	6	14.2	9.5	17.9	7	19.4	7
Hughes Tool	18.0	7	20.7	0.4	15.2	5	15.3	10.6	31.5	2	24.4	4
Joy Manufacturing	15.0	8	15.1	0.2	12.7	8	13.0	6.4	14.4	8	15.7	8
Medians	20.5		20.8	0.4	15.6		15.5	9.3	21.7		24.3	
Rail equipment												
Amsted Industries	21.1%	1	23.2%	0.0	22.6%	1	20.6%	7.8%	12.8%	3	23.6%	1
Trans Union	18.0	2	20.7	1.6	6.6	3	6.9	6.4	17.3	1	12.3	2
ACF Industries	14.4	3	16.6	0.6	8.7	2	7.9	5.8	13.3	2	11.8	3
GATX	10.1	4	13.3	1.3	5.5	4	4.8	6.7	9.3	4	–0.7	4
Medians	16.2		18.7	1.0	7.7		7.4	6.6	13.1		12.1	
Industry medians	18.1		16.5	0.4	12.3		14.2	6.6	16.0		17.6	
All industry medians	15.8		16.1	0.4	11.0		11.1	5.0	14.3		13.9	

Note: Explanation of Yardsticks calculations on page 49.
‡Four-year growth.

orders of all types of railcars (boxcars, covered hoppers, tank cars, etc.) dropped 64%, back to pre-1977 levels.

One victim of the 180-degree market turn: Chicago-based Pullman, Inc., the largest U.S. maker of freight cars. As a result of 1980 freight car losses and a $50 million pretax writeoff from its Swindell construction division, Pullman posted a loss last year. Pullman's stock fell well below book, marking the company as an acquisition target, and J. Ray McDermott, Inc. moved in for the kill. Wheelabrator-Frye won the ensuing bidding war, of course, picking up Pullman for what was still a bargain-priced $52.50 per share, just over book. But the last, the oldest and the greatest of the freight car builders was no more.

Is there a way to profit in this determinedly cyclical business? Absolutely: by leasing out railcars. Trans Union Corp., founded by John D. Rockefeller to carry the oil trust's oil and now one of the nation's two largest tank-car makers, leases 90% of its output. In a boom-and-bust industry, says Trans Union Executive Vice President Donald B. Romans, "it's reassuring to know on Jan. 2 where 85% of your profits are coming from." Trans Union, too, is facing merger. It's in the throes of deciding between Pritzker-controlled Marmon Corp. and other bidders.

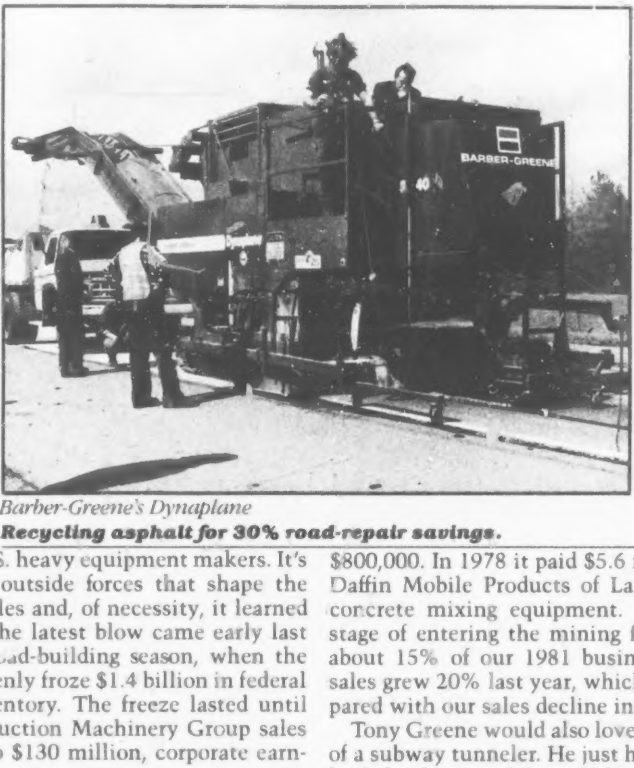
GATX, with a larger leased fleet than Trans Union (62,400 *vs.* 60,000), will move through the recession unscathed, sales up 10% to 15%. GATX does have one activity that sets it profitably above Trans Union and all the other rail equipment companies—its storage tanks, leased primarily for holding petroleum products. Still, GATX has maintained railcar orders, production and backlog when the other sales-oriented companies have failed to do so. Even Amsted, principally a parts supplier to the industry, suffered a fourth-quarter earnings decline of some 39% last year; analysts predict 1981 earnings will be down 20% to 25%.

When will the rest of the railroad equipment industry pick up steam? Don't look for significant improvement before 1982. The 1978-79 oversupply has yet to be worked off; and, since rail equipment companies lag the recession, incoming orders will be slow to improve. If the economy picks up this year, companies with large railroad equipment segments will probably pick up next year.

The same goes for construction equipment, where unit sales are down, and at least one-third of sales are now made to the coal mining and oil drilling industries. Unit sales at $8 billion (sales) Caterpillar, for example, fell by approximately 8% last year. "The lack of purchasing in the coal industry and for highway construction [see box] affected sales of our larger machines," explains E.C. Chapman, Caterpillar executive vice president. Does he see an improving picture in 1981? "Who knows? This is the year that everyone sits and watches," answers Chapman. They've had lots of experience doing that, and they can do so in the confidence that the upturn will eventually end. After all, U.S. construction equipment still enjoys a reputation that U.S. autos used to have: American-made means quality.

In sharp contrast, the oil equipment business has never looked better. The U.S. count of oil rigs ballooned from 2,177 in 1979 to 2,900 last year; and analysts predict 3,250 rigs will be in use this year. As a result, earnings at Hughes Tool were up 30% last year, while Baker International was selling at 20 times earnings. It took time, but for the oil equipment makers the cyclical upswing is long overdue. Between 1956 and 1971, drilling activity declined as steadily as it has been on an upswing in the last eight years.—**Lisa Gross**

Counterbalances


Barber-Greene's Dynaplane
Recycling asphalt for 30% road-repair savings.

For two years now, commuters on Chicago's Edens Expressway have learned to hate what is one company's salvation: a big green machine called the Dynaplane. Made by $227 million (sales) Barber-Greene Co. of Aurora, Ill., the Dynaplane recycles the asphalt on a road being resurfaced. Without it, the inconvenience to Edens Expressway users would have been no less. But the cost of the project would have been as much as 30% over its $2 billion price tag, and Barber-Greene would have been in more trouble than it already is.

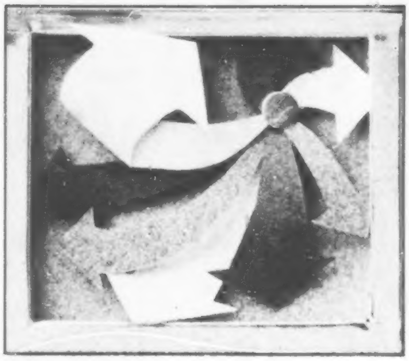
Barber-Greene is in many ways typical of the U.S. heavy equipment makers. It's inordinately vulnerable to outside forces that shape the industry's boom or bust cycles and, of necessity, it learned to roll with the punches. The latest blow came early last spring at the start of the road-building season, when the Carter Administration suddenly froze $1.4 billion in federal highway funds to take inventory. The freeze lasted until August, and it hurt. Construction Machinery Group sales were off 13% for the year to $130 million, corporate earnings, down 38%.

Ever since the 1973 oil embargo, Barber-Greene has been pulling back from the increasingly unreliable road construction field that now yields only 57% of its sales, *vs.* 65% in 1974. It did so mainly by developing new road-repair equipment like the Dynaplane. Pre-embargo, road repair accounted for 15% of highway spending; now the figure is 40%.

Around the same time, CEO Anthony S. Greene, 55, son of one of the founders, was also cutting his commitment to construction equipment by building a presence in mining equipment. As soon as the company emerged from the 1974-75 recession it bought Mine & Smelter Co. of Denver for a rock-bottom $800,000. In 1978 it paid $5.6 million in stock and cash for Daffin Mobile Products of Lancaster, Penna., a maker of concrete mixing equipment. "We're still in the infancy stage of entering the mining field," says Greene. "It'll be about 15% of our 1981 business. But mining equipment sales grew 20% last year, which looks especially good compared with our sales decline in construction equipment."

Tony Greene would also love to hear from anyone in need of a subway tunneler. He just happens to have one on hand, built for the now-defunct Tehran Metro Authority. They dig a clean 36-foot hole, and you can have them at a bargain price.—L.G.

Soaring interest rates have slowed the conglomerate movement to a walk. But the impulse to conglomerate still remains.



Conglomerates

"I THINK THE OLD CONCEPT OF BUYING COMPANIES to improve earnings per share was a bad idea when it started and I think it is an even worse idea today," says Ralph Schey, chief executive officer of $700 million Scott & Fetzer

But isn't that conglomerate blasphemy? Isn't the whole idea of conglomerating aimed at improving your earnings? Certainly, at one time it seemed to be. But what Schey is really railing against is firms taking over other firms *exclusively* because of the impact their acquisition may have on reported earnings. That style of play pretty much died out with the stock market boom of the Sixties.

Schey, whose company owns World Book Encyclopedias and Kirby vacuum cleaners, among other things, is representative of a new breed of conglomerators. These are men with companies like TRW, Signal Cos. and Whittaker Corp. who have gotten away from the idea of growth for growth's sake and returned to something like the first principles of conglomeration. They make what Schey calls "strategic" acquisitions, as opposed to the basement-shopping "economic" acquisitions. Naturally, the cliches still pop up when you talk to men like Schey. Words like countercyclicality, risk-spreading and even—that Ghost of Christmas Past—synergy. The difference is that the new school really tries to practice these handy maxims, instead of just talking about them.

The theory, after all, never was called into question. Only the practice. The best of the conglomerators—companies like Textron and TRW—were basically asset managers. They shaped and reshaped their portfolios of businesses according to some preestablished pattern to yield the maximum return on investment. Where they went wrong was that in improving their return the conglomerators discovered they inevitably improved their earnings, and the result was that for many companies the emphasis shifted from managing assets to managing earnings, and the fat was in the fire. The go-go era was at hand.

Says Tex Thornton of Litton, the $4 billion conglomerate that was one of the pioneers of the form and now grows primarily through internal spending, "People paint all conglomerates with a broad brush. But the good ones are those that take the technology they've got and make acquisitions which augment that technology. That's entirely different from those firms that just buy and sell companies without a plan."

Actually, when Thornton talks about augmenting technology, you can sense that he's skirting the word *synergy*. "Well, we started the use of that word. And then other people started using it. But they didn't use it right. So it fell into disfavor. So, now we've stopped using it. But the truth is," he says, his voice dropping to a mock whisper, "that's the way conglomerates can work—with synergy."

Thornton and Schey both stress the fact that this theory of two plus two equaling more than four can only work when you carefully pick the twos you are adding together—something Litton itself learned from bitter experience. But acquisitions of any kind can be expensive these days, especially with sky-high interest rates and fairly low stock market multiples. But this doesn't deter Schey: "People will always come up with unique ways to handle the financing," he says, "if financing is the only barrier to something."

In fact, Schey argues that high interest rates aren't the real obstacle to making acquisitions. He says, "In my judgment the length of time for which you can borrow at fixed rates is a more significant problem than the fixed rate that you would pay to borrow it today. You know, it's difficult to borrow money today at a fixed rate beyond ten years."

With money so expensive and hard to find, a number of firms have chosen to get capital the way conglomerates always have in the past—by selling off bits and pieces of themselves—but less from desperation than long-term design. In just the last year Ogden Corp., ITT and Textron have sold off significant subsidiaries, and they're just the start of the list. Not only does this bring in badly needed cash for acquisition, but it can also be used to eliminate mistakes made in the past.

Explains Royal Little, creator of Textron and the grand old man of conglomerating, "During the 1960s, conglomerates tended to buy too many small companies. They bought hundreds of small companies—not real growth companies—which they are now selling off concentrating on bigger things." Bigger acquisitions, of course, have a bigger impact and can really affect the shape of a company. Witness United Technologies' acquisitions in recent years.

Adds Schey, "When I look at Gould's efforts to spin off their mechancial products business, which has probably a 5-times multiple, to acquire electronics companies that have a 15 multiple, that's clearly part of a deliberate corporate strategy." These spinoffs are often not losers. "You'll find a lot of good things being sold, too," says Schey. After all, if it's capital you need, the more valuable the property is, the higher the price it's likely to yield.

Schey argues that this movement to deconglomerate and purchase strategically selected companies is part of a broad historical flow which all—or most—conglomerates go through. "In the beginning," he says, "they expand very rapidly. It's like being at an auction. You tend to buy things you might otherwise not have bought. You sure as hell wouldn't have bought them if you weren't there and now that you've got them, you have to do something with them.

"In the second phase, you weed out a lot of things. You get rid of the things that don't fit in.

"In the third phase," he goes on, "you have got a new base from which you reestablish the company and try to fit things together more clearly." Schey's own company seems to be nearing the end of that second phase at this point, he says. "We've gone through a process of going from 31 businesses to 16 businesses and we'll probably go to 12 businesses before we're through. The process of consolidation and rebuilding takes a long time."

There's a fourth stage as well. Through changed circumstances—a new financial climate, a new management—the impulse to acquire, to actively conglomerate, fades. The company settles back into a conventional stance as a diversified company, as many of the conglomerates of the late Fifties and Sixties did long ago.—**Richard Greene with Thomas Baker**

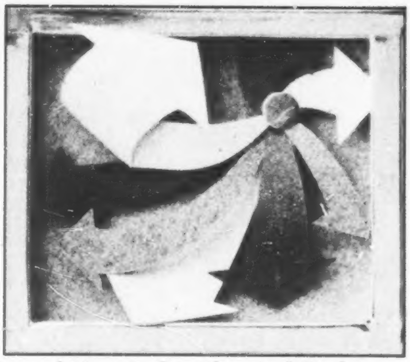
Conglomerates

Yardsticks of management performance

	Profitability								Growth			
	Return on equity			Return on total capital					Sales		Earnings per share	
Company	5-year average	5-year rank	latest 12 months	debt/equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
Teledyne	36.1%	**1**	27.7%	0.2	21.1%	**1**	23.4%	11.6%	11.0%	**23**	51.8%	**5**
Lear Siegler	24.2	**2**	22.4	0.6	14.4	**7**	14.2	4.6	13.2	**17**	34.0	**6**
American Standard	24.1	**3**	27.4	0.4	20.0	**3**	16.7	5.7	6.6	**39**	101.5	**1**
Avco	23.2	**4**	17.2	2.7	6.7	**33**	7.9	5.6	7.5	**36**	73.6	**2**
Raytheon	22.7	**5**	23.6	0.1	27.4	**2**	21.6	5.6	14.6	**14**	24.2	**11**
TRW	20.4	**6**	19.8	0.4	13.3	**8**	13.4	4.2	13.2	**18**	15.0	**21**
Scott & Fetzer	20.3	**7**	14.3	0.5	11.1	**4**	16.3	3.8	15.4	**11**	10.8	**27**
Northwest Industries	20.3	**8**	16.5	0.6	9.9	**11**	12.4	5.4	18.8	**5**	19.8	**14**
Alco Standard	19.8	**9**	18.8	0.5	13.4	**6**	14.7	2.3	15.1	**12**	18.5	**16**
Gulf & Western Inds	19.3	**10**	19.4	1.0	9.5	**26**	9.2	4.8	16.9	**9**	17.6	**17**
United Technologies	18.5	**11**	16.7	0.4	11.6	**10**	12.9	3.2	22.8	**3**	24.5	**10**
National Svc Inds	18.4	**12**	21.1	0.1	18.6	**5**	15.8	5.7	8.5	**32**	11.3	**26**
Transamerica	18.3	**13**	18.0	1.2	9.8	**15**	11.2	5.5	11.6	**21**	23.7	**12**
Bangor Punta	18.2	**14**	19.3	0.9	10.9	**18**	10.5	4.2	17.1	**7**	D–P	
Fuqua Industries	18.0	**15**	23.1	1.2	12.5	**16**	10.7	3.5	23.1	**2**	32.8	7
Ogden	17.9	**16**	16.5	0.9	8.8	**27**	8.8	2.7	6.9	**38**	15.1	**20**
White Consolidated	17.4	**17**	12.7	0.6	8.9	**19**	10.3	2.7	13.2	**16**	10.1	**30**
Chromalloy American	17.3	**18**	13.8	0.8	9.1	**21**	9.7	2.9	15.0	**13**	9.5	**31**
Tenneco	17.1	**19**	18.8	0.7	10.6	**22**	9.7	5.4	17.7	**6**	9.0	**32**
Whittaker	17.0	**20**	23.3	0.6	19.1	**13**	12.0	4.4	7.7	**35**	61.5	**3**
Textron	16.4	**21**	14.4	0.3	12.0	**9**	13.3	4.5	10.0	**27**	10.1	**29**
Dayco	15.8	**22**	8.0	1.1	5.6	**32**	8.0	1.6	11.1	**22**	12.1	**25**
City Investing	15.7	**23**	16.1	1.3	8.4	**29**	8.5	2.3	15.6	**10**	17.5	**18**
Rockwell Intl	15.7	**24**	18.6	0.3	14.1	**14**	11.3	4.1	11.8	**20**	10.5	**28**
Signal Companies	14.9	**25**	13.9	0.4	10.3	**17**	10.7	3.9	17.1	**8**	19.6	**15**
Berkshire Hathaway	14.8††	**26**	10.9	0.1	10.1	**12**	12.0††	8.1	30.6‡	**1**	29.8‡	**8**
Kidde	14.7	**27**	16.5	0.6	9.9	**23**	9.5	3.5	14.4	**15**	13.4	**23**
W R Grace	13.6	**28**	17.5	0.5	12.2	**20**	9.9	4.8	10.2	**25**	7.0	**33**
A-T-O	13.3	**29**	15.7	0.9	8.4	**35**	7.8	2.7	8.2	**34**	14.6	**22**
AMF	13.1	**30**	12.9	0.4	9.7	**24**	9.3	3.5	7.2	**37**	0.5	**38**
LTV	11.7	**31**	20.4	2.2	7.6	**40**	5.2	1.4	8.6	**31**	16.7	**19**
Sybron	11.7	**31**	10.3	0.5	8.4	**25**	9.3	3.1	8.7	**30**	5.0	**34**
SCM	11.6	**33**	12.9	0.5	9.4	**28**	8.6	3.0	8.4	**33**	23.1	**13**
Litton Industries	11.0	**34**	33.1	0.2	22.3	**34**	7.8	6.9	6.3	**40**	52.8	**4**
Intl Tel & Tel	10.9	**35**	13.4	0.5	9.7	**31**	8.4	4.2	9.3	**29**	4.0	**35**
Amfac	10.8	**36**	15.5	0.9	9.6	**36**	7.1	3.5	10.8	**24**	0.6	**37**
Brunswick	10.8	**37**	6.0	0.6	5.3	**30**	8.4	2.4	9.9	**28**	3.3	**36**
IC Industries	9.8	**38**	10.2	0.7	5.7	**38**	6.1	2.7	19.4	**4**	13.3	**24**
Singer	7.7	**39**	10.6	0.8	6.3	**39**	5.7	1.2	1.3	**42**	D–P	
U S Industries	7.7	**39**	4.9	0.2	4.9	**37**	6.9	2.3	–3.0	**44**	–1.6	**40**
Zapata	7.6	**41**	13.1	1.7	7.5	**41**	5.0	5.8	13.1	**19**	0.0	**39**
Allied Products	1.2	**42**	def	1.0	0.3	**42**	2.6	def	5.1	**41**	–30.9	**41**
National Kinney	def	**43**	def	3.2	2.1	**43**	0.1	def	–2.5	**43**	P–D	**42**
IU International	**		44.7	0.8	13.6		**	7.7	10.0‡‡	**26**	26.8‡‡	9
Penn Central	**		11.1	0.6	8.0		**	4.9	**		**	
Industry medians	**15.8**		**16.5**	**0.6**	**9.8**		**9.7**	**3.9**	**11.1**		**14.8**	
All industry medians	**15.8**		**16.1**	**0.4**	**11.0**		**11.1**	**5.0**	**14.3**		**13.9**	

Note: Explanation of Yardsticks calculations on page 49.
††Three-year average. ‡Four-year growth. ‡‡Three-year growth. P-D: profit to deficit. D-P: deficit to profit; not ranked.
def: deficit. **Not available; not ranked.

The multi-industry companies have generally been good at managing capital. The way the Eighties look, they had better be.



Multi-industry companies

"NO DOUBT ABOUT IT," says James A. Searles, vice president and controller at St. Paul, Minn.'s 3M Corp. "More than ever in the 1980s, multicompany managements will have to address themselves to earning a *very* satisfactory return on capital from their businesses. If they don't, it's going to cost them 15% to 20% to buy capital to support their businesses, so they had better be damn sure they can earn a higher return on that money."

For the multi-industry companies, it's sort of a return to first principles. It was this concern with the efficient use of capital that provoked many of them to diversify in the first place—in the hope of maximizing their long-term returns. And it's what has ever after enabled them to control the increasing spread of their operations. But what in the past was a matter of corporate style has these days become a matter of corporate necessity.

Some multicompanies—3M and General Electric, for example—have made capital allocation a way of life for decades. Others, like Union Carbide and FMC, have more recently begun to deal with the problem in a practical way. Still others will have to, and soon, for capital may not otherwise be available to them. And in so doing they will have to calculate their returns more carefully than ever. After all, unless you're a railroad, a utility or some other asset-dissipating business, you can't afford to borrow at 15% and 20% to invest in a business that yields only 10% or less.

"Under the pressure of inflation," says Kenneth Rolland, chief investment officer of New York's Chemical Bank, "everybody is looking at the *cost* of capital and the *return* from capital." The problem is difficult enough in so-called single-line businesses where the choices may seem more limited. It is agonizing in multi-industry companies where the choices are multitudinous. "When diversified companies look at their portfolio of businesses," Rolland says, "they really have some hard decisions to make over which ones need capital to be productive in the Eighties and yield a high return, and which businesses won't."

Redirecting, pruning, shedding and acquiring are what multicompanies have always faced in a never-ending process. Markets, products, whole divisions inevitably mature, and that's a fact of life that has to be confronted if the whole entity is to continue to earn a decent return on its capital. Even a GE has had to face the necessity of getting out of vacuum cleaners or analog clocks or, most dramatically, mainframe computers.

But efficient capital allocation isn't simply a matter of dumping the losers and cultivating the winners. It's also a matter of working every dollar as hard as you can. Even so prodigious a performer as 3M faced that problem as far back as the mid-Seventies. Though its growth had not slackened significantly, its return had nonetheless begun to slip. Unlike most multicompanies, 3M has grown entirely from within—from the vast profusion of new products thrown off by the 4.5% of sales it commits every year to research—so that it

Multi-industry companies

Yardsticks of management performance

	Profitability								Growth			
	Return on equity			Return on total capital					Sales		Earnings per share	
Company	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
Minn Mining & Mfg	22.3%	1	22.7%	0.1	19.8%	1	18.8%	11.3%	13.4%	5	14.3%	13
Vulcan Materials	22.2	2	22.2	0.3	16.0	4	15.2	9.0	13.6	3	19.1	5
Rollins	21.7	3	20.0	0.1	17.2	3	17.5	8.9	12.9	6	13.2	15
General Electric	20.3	4	20.2	0.1	18.1	2	18.1	6.1	11.4	8	12.2	19
American Brands	18.7	5	26.2	0.3	17.6	5	13.2	6.3	9.7	12	13.1	16
RCA	17.7	6	15.3	0.9	11.0	12	11.7	3.9	9.6	14	26.1	4
Martin Marietta	17.3	7	18.7	0.1	15.2	8	12.9	7.3	10.5	9	16.6	7
Crane	16.8	8	12.1	1.0	7.9	19	9.9	2.9	6.3	24	10.7	22
Bendix	15.9	9	17.0	0.4	15.1	6	13.0	5.0	10.5	9	15.5	9
Koppers	15.6	10	10.9	0.4	8.5	11	11.8	3.4	15.0	2	12.9	17
Corning Glass Works	15.4	11	13.5	0.2	11.9	7	12.9	7.6	8.1	21	16.8	6
Sperry	14.8	12	15.1	0.2	11.1	14	10.8	5.8	10.2	11	14.8	12
PPG Industries	14.3	13	14.7	0.4	11.0	16	10.7	6.3	12.1	7	13.7	14
Union Carbide	14.2	14	16.2	0.4	10.9	18	10.0	6.7	13.6	4	8.0	23
Westinghouse Electric	13.9	15	17.8	0.2	15.2	13	11.5	4.9	5.0	27	16.4	8

Note: Explanation of Yardsticks calculations on page 49.

naturally sought solutions internally rather than through acquisitions or dispositions.

"We addressed ourselves then to the consumption of and need for capital," Jim Searles recalls. "Our margins were not what they should have been during that period. So we cut our inventories to rock bottom, and we've taken much more care not to carry a big payroll. We've emphasized cash management and productivity, and they've helped keep margins and return on capital high. It's showed up dramatically during the current recession. We've kept our needs so tight that in 1980 we required no borrowing at all. That's the nice thing about an internally developed company. Unlike companies that have grown mostly by acquisition, you can see the need and move swiftly."

The art of capital allocation also involves calculating such investments in the context of a dynamically changing world, filling in gaps that have developed because a company's economic world has changed dramatically—as it did for most companies following the 1973-74 oil embargo.

Take General Electric. In the mid-Seventies it felt that in an inflationary environment it needed a large international natural resource base to balance and buttress its vast manufacturing activities. And so, in 1977, it acquired Utah International with its coal, copper, uranium, iron ore and oil business for $2.1 billion. Utah may not do much for GE's earnings in the short run, but as the 1980s progress, it should support itself, begin earning a handsome return and strengthen the rest of GE. So should GE's 1980 acquisition of Intersil, a semiconductor company, which will buttress GE's existing electronic business and give it an entrée into emerging electronic technology. "We don't buy a business for its profitability alone," says Daniel Fink, GE's senior vice president for corporate planning and development. "Our acquisitions are designed to accomplish a purpose. For all our diversity we see ourselves as a single company and our management style reflects that. We have a large central research and development base that supports the whole company and cuts across it. That's quite different from a conglomerate, which has to manipulate its portfolio as a means of controlling its pieces."

Chemical Bank's Rolland (left) *and 3M's Searles*
Capital allocation is the high-priority issue.

"In a slow growth economy," Chemical Bank's Rolland observes, "the most important question is, does management visualize the right areas they ought to be in? For any company, that is very difficult to do. Either you are going to stagnate or decline, or you decide what you can be—profitably."

An increasing number of multicompanies are doing that today. Last summer, for instance, Esmark decided to sell off both its meat-packing and oil businesses and concentrate on its less-capital-intensive consumer and specialty chemicals business. The decision may or may not prove to have been correct, but the logic is impeccable. On the one hand, Esmark's management concluded that it was incapable of earning a decent return with its long-ailing meat-packing operations, and, on the other hand, that it lacked the capital to exploit fully its otherwise splendid opportunities in the oil business. And so it was prepared to sell off both for more than $1.2 billion and put the proceeds into the more manageable and profitable operations that remain and shrink its capitalization by half.

Rolland believes that capital efficiency will be the most significant factor in corporate success during the decade ahead, and that investors will put a premium as they always have on companies earning a better than average return. Whatever results they achieve, such companies are unlikely to win more of a premium than the hot stocks of the moment—electronics or energy, for example—but they stand a good chance of commanding more of a premium than a single-industry company. "You take more risk in single-industry companies," says GE's Daniel Fink. "Look at what's happened to some growth companies a decade later. Multi-industry companies, on the other hand, have a potential for more assured growth over the longer term." Well-run ones, that is.—**Howard Rudnitsky**

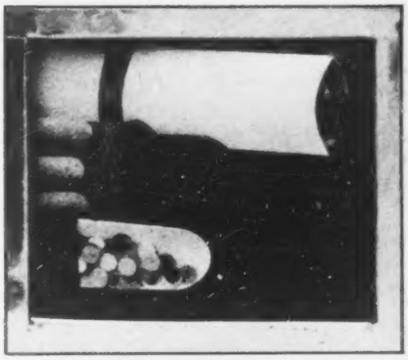
Multi-industry companies

Yardsticks of management performance

	Profitability								Growth			
	Return on equity			Return on total capital					Sales		Earnings per share	
Company	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
Borg-Warner	13.6%	**16**	11.9%	0.1	11.1%	**10**	12.1%	4.9%	9.5%	**15**	15.2%	**11**
Alleghany	13.5	**17**	15.7	0.4	10.6	**9**	12.6	4.8	41.8	**1**	15.5	**10**
FMC	13.5	**18**	12.6	0.4	9.3	**20**	9.7	4.1	9.6	**13**	12.6	**18**
National Distillers	12.9	**19**	10.5	0.3	8.4	**17**	10.2	5.0	8.2	**20**	10.8	**21**
Allis-Chalmers	12.4	**20**	8.2	0.4	6.7	**21**	9.5	2.8	9.1	**18**	32.1	**2**
NL Industries	11.9	**21**	15.0	0.4	11.5	**23**	9.3	6.1	6.9	**22**	6.4	**24**
Curtiss-Wright	11.6	**22**	15.1	0.3	12.8	**15**	10.7	10.0	4.7	**28**	26.7	**3**
Esmark	11.4	**23**	11.2	0.6	7.7	**26**	8.2	2.4	6.7	**23**	3.8	**26**
Olin	11.4	**23**	10.4	0.4	8.0	**24**	8.9	4.2	9.3	**16**	33.3	**1**
Genl Tire & Rubber	10.9	**25**	2.6	0.3	2.8	**25**	8.3	1.2	9.3	**17**	6.1	**25**
Sperry & Hutchinson	10.3	**26**	8.1	0.2	7.4	**22**	9.4	2.5	5.1	**26**	1.0	**27**
Dillingham	9.2	**27**	14.6	0.7	9.2	**27**	6.1	2.7	8.7	**19**	11.5	**20**
GAF	3.0	**28**	5.8	0.5	4.5	**28**	3.2	1.6	5.6	**25**	–20.2	**28**
Industry medians	**14.1**		**14.9**	**0.4**	**11.0**		**10.8**	**5.0**	**9.6**		**13.5**	
All industry medians	**15.8**		**16.1**	**0.4**	**11.0**		**11.1**	**5.0**	**14.3**		**13.9**	

Note: Explanation of Yardsticks calculations on page 49.

Think the cosmetics business, like its customers, is getting too mature to be attractive? Remember, this industry sells hope.



Toiletries and cosmetics

According to conventional wisdom, companies making cosmetics and toiletries are not only profitable, they're reliably so. Despite six post-World War II recessions, sales have increased every year since 1932. Last year, for example, the industry had sales of $15.6 billion in the U.S., up 12% over 1979 in spite of the business slowdown. The reason? Cosmetics and toiletries are, so the usual explanation goes, "inexpensive pick-me-ups for women who may have to curtail other forms of spending."

Inexpensive and discretionary as such items may still be—when compared with autos and appliances—some analysts now believe that changing demographics and a changing economy may bring those days of dependable profitability to a close for makers of cosmetics and toiletries.

What boosted the industry last year, such skeptics insist, were price increases, 12% or more for many firms. "Virtually all of the 12% growth in sales in 1980 resulted from price increases," says one analyst, "not implied unit growth." Despite the seeming prosperity, concurs Jack Salzman, cosmetics analyst at Smith Barney, "the cosmetics business' unit sales have been down, or flat for the best companies."

Rather than magically defying economic gravity, unit demand in the industry is, and always has been, fairly closely related to real income. In the past several decades, whenever there has been a decline in real income, there has been an actual decline in unit sales. And inflation, which shrinks real income no matter where the industry is in the business cycle, aggravates and progressively worsens the decline in consumer purchasing power.

"The difficulty," says Diana K. Temple of Wertheim & Co., "is that during the early-to-mid-Seventies, unit growth in this industry was far greater, about 4% annually, because real income growth in the economy was stronger. [Now] unit growth has slowed down in line with the real income trend. That makes it a tougher environment for all the companies operating." The result? "We are seeing this industry become increasingly price-sensitive now," says Salzman, "as the result of a real consumer pullback."

Historically, when consumers pulled back, the industry protected its profitability by price increases—an easy way to maintain margins—as it did last year. But if real income growth slows in the future, that may no longer be so easy. The truth is, consumer acceptance of price increases may have had more to do with demographics than with changes in either income or the discretionary nature of cosmetics purchases.

During the Sixties and the early Seventies, the teenage population grew four times faster than the overall population, and this gave the industry a huge new market to sell to. New users inevitably have greater impact on consumption than increased consumption by current users. And when the new user is a teenager there is a double-whammy effect: Teenagers use more sorts of cosmetics, toiletries and fragrances than the average adult.

Then, too, the growth rate of the 25- to 45-year-old age group—whose population grew very fast during the Sixties and early Seventies—is slowing down. This group, the biggest spenders on cosmetics, also provides the models that adolescents emulate in their buying habits. Thirdly, the number of women entering the labor force is beginning to slow down. The result of these population changes, some analysts predict:

Toiletries and cosmetics

Yardsticks of management performance

	Profitability								**Growth**			
	Return on equity			**Return on total capital**					**Sales**		**Earnings per share**	
Company	**5-year average**	**5-year rank**	**latest 12 months**	**debt/ equity ratio**	**latest 12 months**	**5-year rank**	**5-year average**	**net profit margin**	**5-year average**	**5-year rank**	**5-year average**	**5-year rank**
Avon Products	32.1%	1	28.1%	0.0	27.2%	1	31.3%	9.6%	12.3%	6	11.3%	6
Intl Flavors & Frag	23.9	2	22.9	0.0	21.3	2	22.2	14.7	15.9	3	16.8	3
Revlon	22.1	3	20.6	0.2	19.0	3	17.4	8.8	22.1	1	18.0	2
Chesebrough-Pond's	20.3	4	22.2	0.3	17.8	4	16.5	7.3	16.4	2	12.7	4
Procter & Gamble	19.4	5	19.1	0.2	14.8	5	15.0	5.9	14.4	5	12.0	5
Kimberly-Clark	19.1	6	14.2	0.2	12.1	6	14.4	7.0	10.4	9	22.6	1
Gillette	17.5	7	19.0	0.4	14.2	7	13.1	5.5	11.1	8	4.1	9
Colgate-Palmolive	13.9	8	9.7	0.3	8.1	8	12.2	2.3	14.4	4	5.5	7
American Cyanamid	12.8	9	11.6	0.4	8.9	9	9.9	4.6	12.1	7	4.2	8
Industry medians	**19.4**		**19.1**	**0.2**	**14.8**		**15.0**	**7.0**	**14.4**		**12.0**	
All industry medians	**15.8**		**16.1**	**0.4**	**11.0**		**11.1**	**5.0**	**14.3**		**13.9**	

Note: Explanation of Yardsticks calculations on page 49.

Unit growth rates, usually double that of GNP, may now only equal it.

These gloomy demographics don't faze executives in the industry, however. Charles Chapman, president of the health and beauty products division of Chesebrough-Pond's, says, "We have seen shifts, but not drastic changes in the buying habits of the consumer." Sometimes a decline in consumers' real income, Chapman points out, can work to the manufacturer's advantage. Unit sales of home permanents actually picked up when women began treating their hair at home rather than in a salon. Furthermore, some products, like Vaseline and Pond's cold cream, have had strong sales because women use them for many purposes rather than buy special-purpose items.

Then there are those who dispute the importance of much of the demographic statistics. Paul P. Woolard, senior executive vice president at Revlon, says, "Although the growth rate of the 25-year-old-to-45-year-old group may begin to slow down this decade, this age group is going to be at its maximum for this whole decade. And this is the group that spends the most on cosmetics. Our prime target will never have been bigger, and will stay large for some time. The flip side of the declining teenage growth rate is that young people who were in that group are growing older and moving into the prime spending group. There's room for growth for most cosmetics categories. Certainly in color cosmetics or fragrances." Woolard also points out that if the growth rate of women entering the labor force is slowing, meaning most members of that group are in the labor force, they are now using far more cosmetics and toiletries than they did as housewives or students.

Other industry spokesmen point out that much of the demographics slights the importance of new product introduction. Says one, "Look at new product development. Conditioners were not even heard of as little as five years ago. Now you have a major industry there, a $600 million industry. That's added usage, not segmenting. A whole new business. This is an industry characterized by new product innovation."

"Even if the toiletries business looks like it has a fairly low growth curve," says Derwyn F. Philips, president of the personal-care division at Gillette, "you musn't overlook the fact that there are some incredibly dynamic segments. The hair care and postshampoo products are not only selling well, they're a focal point for innovation. The shampoo business continues to be marked by a lot of new product introduction.

"Take our Silkience. That's a premium-price product all across the country. That product has been a resounding success in a time when some people would have you believe consumers are either hiding their money or don't have it, or both. Or take Dry Idea, our roll-on antiperspirant. Dry Idea sells at a 20% premium to practically any other roll-on. And it's the biggest thing to hit that category since aerosols were introduced in the Sixties. Why? Because people didn't want to have to go around flapping their arms to dry off their deodorant before putting their clothes on. We've got a lot of new products on the dock and we look to 1981 and 1982 as really being a solid, healthy and dynamic growth period for us."

"Also, the expected value of the customer going forward into middle age," adds Woolard, "is greater than that of the middle-age customer who will shortly be 65 or 70. For the next couple of decades the [former] age group will be bigger than ever before. We'll constantly be replacing the customers who don't have the cosmetics and toiletries habit strongly with ones who do. We see no product category dying out.

"Our challenge is to recognize the changing needs of the consumer. As they get older, their needs change. You think that, when we have a customer getting older and concerned about their attractiveness, we're going to market to her by saying, 'Hey, old lady, we've got an old lady cream for you'? No way. This industry will continue to be successful because it will continue to market to its clientele by identifying with their needs, not their demographics."

In an industry where psychographics—the mind sets of its customers—has always been the magic ingredient, there are grounds for betting that Woolard is right.—**Steven Flax**

The sweet smell of success

Lest you doubt, even for one moment, the ability of the toiletries industry to come up with new product ideas to sell as absolute necessities, consider this latest wrinkle: environmental scents. Not content to scrub, deodorize and perfume every imaginable bodily orifice or zone, erogenous or not, the industry is now extending its come-hither concern to the inanimate. Your home or office should have a fragrance personality, so the pitch goes, just as you do.

"The mood of today's consumers is olfactory conscious," says John A. Roberts, until recently president of the American subsidiary of Naarden International N.V., the $250 million (1980 sales) flavor and fragrance manufacturer. "Scented products," he continues, "have rapidly become an intimate part of their lives."

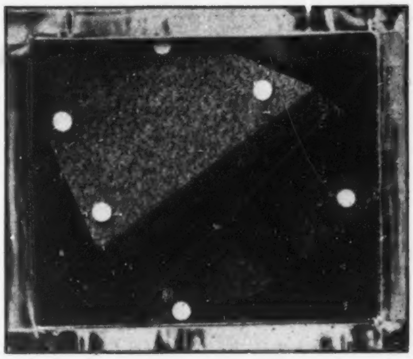
$mells $well

Environmental scents aren't just a repackaging of the old, negative, hide-the-stink stuff. Those predecessor products are now looked down upon. "Many of these products," says Miriam Miller, a cosmetics and fragrance marketing rep for the Mutual Buying Syndicate, "carry magic words, music to the ears of the industrious housecleaners, like 'disinfects while it deodorizes.'" They are, she says, dripping with disdain, "death to the senses. The customer needs to be rescued from the supermarket product he and she are being forced to buy now!"

No, this movement is a positive one. To hear former Naarden president John Roberts talk, you'd think he was urging ratification of the SALT treaty: "When will we demand, as taxpayers and voters, from our public officials control of odor pollution in our total environment?" He mentions the many malodors in the streets, the filthy dumpsters, trash cans, bus emissions and, horrors, the smells of fast-food establishments. "I don't have to tell you," he says, "the role that fragrance could play to improve this situation dramatically. What about scented gasoline for buses and taxis? Scented plastic trash cans and trash bags, and scented filters to absorb unpleasant restaurant emissions. Fragrances have been developed. The technology *is* available. The next step is for us as citizens to demand them."

Last fall Macy's opened an environmental scent shop in its main store, and Bloomingdale's and others quickly followed. The choice of products already is staggering: fragrance fountains, potpourris to sew into the hems of curtains, vaporizers, incense, scented candles and sachets, not to mention "aromatherapy" pillows. Whether to have one signature scent for your home or a wardrobe of fragrances is your problem. But shouldn't our bedrooms smell romantic, not merely bacteria-free? Just ask the profit motive. The answer is, emphatically, yes.—S.F.

Given present cost-price relationships and tax laws, the U.S. steel industry is no longer viable. So says U.S. Steel's David M. Roderick. But that may be beginning to change.



Steel

THE $50 BILLION STEEL INDUSTRY is the Mississippi of industries—slower growing and lower profit than even the railroads. But though critics have tended to blame mismanagement, corporate arrogance and technological wrongheadedness, the industry itself has always claimed it was being hurt primarily by a host of misconceived government actions—from wage-price controls and too stringent environmental regulations to short-sighted tax policies and lax enforcement of import restrictions. Plagued by recession and heavy import competition, most U.S. companies lost millions from steel operations for much of last year, but there were some signs that a more congenial governmental climate was in the making.

The agreement between U.S. Steel and the Carter Administration establishing a new trigger-price mechanism (which effectively sets a minimum price for imported steel), as well as the prospect of more enlightened tax policies under the incoming Reagan Administration, may prove the foundation on which a modernized and competitive steel industry can be built. To find out how the industry itself assesses its prospects, FORBES sat down recently for a chat with the head of the industry's biggest and least profitable company, U.S. Steel's outspoken chairman, David M. Roderick.

Roderick: I think what happens depends on the tax proposals Reagan makes and what that does to the economy. I believe the Reagan people are sensitive to the steel problem. When Mr. Carter's steel policy was announced, Reagan made the comment that it looked like *his* steel policy and that, if anything, it did not go far enough.

What you're suggesting is that Reagan's tax policies can make a really big difference for your industry?

What most people do not keep in mind is that only about 30% of the steel in this country relates to current consumption—cans, automobiles, that type of thing. All the rest, 70%, finds its way into capital goods—buildings, bridges, equipment and so forth. So if you get a tax bill that is supply-side oriented, if it stimulates investment, it's going to be a very positive thing for the steel industry.

The steel industry has been critical of government policy for a long time, at least since Kennedy and Roger Blough nearly came to blows over prices.

The Kennedy confrontation was probably the most dramatic change of attitude on the part of the government. But, frankly, all administrations since then have failed to recognize what was happening in the world and to provide any financial leadership. Their perception of what was a competitive tax system internationally is really quite shocking. When you see the inflation that we have had and realize we still have a tax system that's based on original book value and useful life rather than a capital recovery concept, you can understand why, as a capital-intensive industry, we have paid a horrendous price for the economic deficiency of our taxmakers.

What sort of price?

The steel industry has been in involuntary liquidation certainly for the last 15 or 20 years. Its depreciation and profit margins have been totally inadequate to reproduce the same capacity in modern facilities. So there has been an absolute liquidation of total capability to the industry.

So your profits, such as they were, were overstated because of inadequate depreciation. Then those profits were partly taxed, de-

Steel

Yardsticks of management performance

	Profitability								Growth			
	Return on equity			Return on total capital					Sales		Earnings per share	
Company	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
Armco	12.3%	1	14.4%	0.3	10.3%	1	8.8%	4.4%	11.9%	1	10.6%	2
LTV	11.7	2	20.4	2.2	7.6	5	5.2	1.4	8.6	6	16.7	1
Kaiser Steel	9.4	3	23.8	0.6	14.7	2	6.8	13.7	8.1	8	5.4	3
Inland Steel	9.0	4	1.7	0.4	2.2	3	6.8	0.7	10.8	3	1.4	4
National Steel	7.2	5	6.2	0.4	4.9	4	5.5	2.4	11.6	2	0.4	5
Republic Steel	5.3	6	1.4	0.3	1.5	6	4.3	0.6	10.3	4	–0.8	6
Bethlehem Steel	3.2	7	4.0	0.4	4.0	7	3.3	1.5	8.4	7	–21.1	7
United States Steel	0.0	8	def	0.4	def	8	1.3	def	9.4	5	–55.9	8
Industry medians	**8.1**		**5.1**	**0.4**	**4.5**		**5.4**	**1.5**	**9.9**		**0.9**	
All industry medians	**15.8**		**16.1**	**0.4**	**11.0**		**11.1**	**5.0**	**14.3**		**13.9**	

Note: Explanation of Yardsticks calculations on page 49.
def: deficit.

priving you of the cash flow needed to modernize and rebuild.

That's right.

At the same time, you haven't gone out of your way to win favor from the government. The Carter Administration asked you not to file antidumping claims against European steelmakers in 1979, and you went right ahead and did so. Why was it necessary?

In the three years before the President took office [1974-76] imports were about 13% of total consumption. In the first year of his presidency imports jumped to almost 18%. There was an international perception that Carter was not going to be sensitive to the import problem. The President reacted by installing the first trigger-price system. But it was not well structured, and it was not enforced.

We tried to get the Administration to reform the trigger-price system. The Economic Policy Committee finally came out with the position that if any dumping suits were filed they would discontinue the trigger-price mechanism. Well, they threatened me with discontinuing something that wasn't working. The fact that they revamped it pretty well indicates there were massive defects. It also showed the Europeans and others that, if a voluntary administrative procedure was not working, the industry didn't have to sit there being abused.

The industry complains of unfair foreign competition. How is it unfair?

Let me give you an example of the massive extent of subsidies. People debate whether the Europeans are dumping. That's a joke! A total joke! In the last five years the losses of five of the seven largest steel producers in Europe have totaled $14.5 billion. That is the equivalent of the total net worth of the seven largest steel companies in the U.S. We would have all been bankrupt. Not one of them is bankrupt and not one of them has discontinued exporting into this country. Now, how do you stay in business when you lose $14.5 billion? Very easily, if your government keeps giving it to you. They're not competitive with us. They abuse this market when they come here and sell under our prices and under their cost.

Such governments obviously place a high value on maintaining a viable steel industry. But you're not suggesting that the U.S. should provide some sort of subsidy itself?

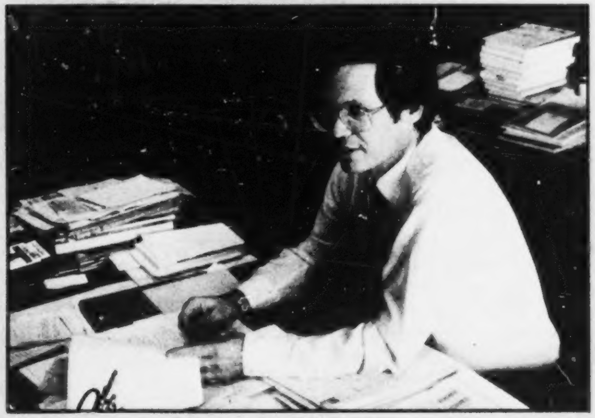
You cannot permit a government, which has the power to pay for its foolishness, to compete with private enterprise. See, the marvelous thing about the free enterprise system is that you can be as foolish as you wish to be, but failure is the discipline of the system. When you take it out, or when a

"Either the Japanese were extremely clever . . ."

One reason the steel industry has had so much difficulty in getting much government help with its problems is that industry and Washington don't see these problems in quite the same way. Take Richard N. Cooper, a specialist in international trade at Yale who came to Washington four years ago, was Under Secretary of State for Economic Affairs in the Carter Administration, and who will be returning to academia, though to Harvard rather than Yale, after the Administration shuts down in January.

Cooper disagrees that the newly revamped trigger-price mechanism will do much for the industry's problems because, as he sees it, it's designed to solve only one problem, and a potential problem at that—dumping. "When people talk about dumping, all too often, they mean competition that they have difficulty meeting." Dumping, Cooper explains, consists of either selling a commodity overseas below the price it sells for in the home market or selling at below the cost of production plus a normal 8% profit. Antidumping legislation should quash the pricing of exports at variable or out-of-pocket costs, but if anybody has done that, Cooper hasn't been able to find any evidence.

"If I were European or Japanese," he says, "I'd put it the other way around. The Americans have a tremendous advantage because when demand slackens, they can lay off part of their labor force. That's an accepted practice in the U.S. In Japan, it is not. Therefore, the wage bill becomes a fixed cost for the Japanese whereas it is a variable cost for a U.S. firm. That leaves the U.S. firm much better off when it comes to rolling with the punches of fluctuation in demand."



Under Secretary of State Richard N. Cooper

The problem isn't "dumping"; it's bad management.

Cooper gives short shrift to the notion that the U.S. industry is at a competitive disadvantage because the Japanese subsidize their steel industry. "I came into the government in the first year of the Nixon Administration, and we pulled out all the stops to find Japanese subsidies. As far as we could tell, either the Japanese were extremely clever in figuring out ways to subsidize, or it was a complete fabrication by the U.S. industry—*i.e.*, scapegoatism."

Cooper's suspicions are clear. He argues that U.S. companies—steel excepted—have had little difficulty in competing overseas, state-subsidized competition or no. "If you actually look at our trade performance, it has been fantastic. The fact is, we can compete and are competing. Even countries that are trying to produce computers and civil aircraft to compete with us continue to buy our products in ever greater volume. Obviously, we don't want to accept a regime in which American business has to compete on equal terms with the entire fiscal systems of other countries."

Cooper also denies the Japanese were able to win their edge because between 1945 and 1970 the yen was undervalued by the U.S. for foreign policy reasons, just as he also denies that the U.S.' foreign economic policies have been designed to serve foreign policy rather than economic ends. "If I wanted to be provocative, I would say it has been too much influenced by domestic special interests. There's a perfectly good economic policy case, as well as a foreign policy case, for going to free trade. We have not gone to free trade. We have worked for what is called an open trading system in which one tries to minimize—not eliminate—the government impediments to trade. We have done that on the assumption that it is good economic policy and good foreign policy. And that's an assumption that has been, by and large, shared by the other industrial countries."

If it's not government intervention, government competition, dumping, subsidies or currency disparities, what's the steel industry's basic problem? Cooper has an answer for that too: pure and simple bad management.—S.N.C.

U.S. Steel Chairman David M. Roderick
The problem isn't bad management; it's the U.S. government.

government subsidizes economic foolishness, you begin to destroy the free enterprise system.

The new trigger-price mechanism will protect you for five years by imposing penalties whenever imported steel prices drop below certain specified levels. Will that give the steel industry enough protection to permit it to regain its competitive muscle?

I think you could get a good start at it. Keep in mind, we are competitive today for our market. There are only a few countries in the world that can serve this market as economically as we can. But can we further modernize and lower our costs more? The answer is yes.

Can you really claim to be competitive when analysts say that Japanese production costs are at least 14% lower than the U.S.?

They're saying their costs are lower *in Japan*. But they've got to load it, they've got to ship it, they have a little duty to pay too. We're merely taking our truck and running it 50 miles up the road. There's a tremendous difference.

Enough to offset their production cost advantage?

More than enough.

Critics of the American steel industry claim that unfair foreign competition is less important than an unwillingness on the part of the industry to adapt to new technologies. The point has been made that 17% of steel made in the U.S. is still made by the open hearth process, which hasn't been used in Japan in years, and that only 17% is made by the continuous casting process, vs. 50% in Japan.

That's not an indictment. When you say we haven't put in as many continuous casters as the Japanese, that's true. If we had the cash flow in the steel sector, would we have more casters? Yes. If we had the cash flow, would we still have 17% open hearths? No. It gets back again to that very simple problem: that it wasn't what you invested in that was bad. It was merely that you didn't have enough to do all the things that you really should do to accelerate your modernization. It's that simple.

What does the industry need to be viable? Is it viable today?

I think at its present cost-price relationship and with the present tax laws, the answer would clearly be no.

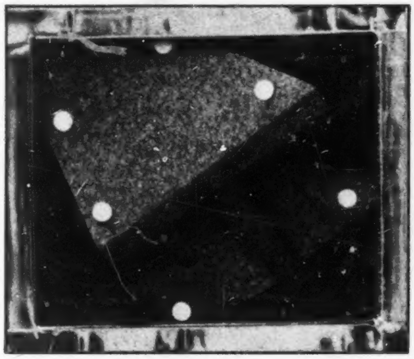
But not because your costs are out of line. Because you can't price your product adequately in the face of subsidized import competition.

What we really need is volume, and volume is a function of making sure that the imports market is not continuing to get all the growth and that all the opportunity is not going to subsidized plants abroad. That's number one. Secondly, we have to get an improved tax code that will permit accelerated depreciation and the types of things that will help bring about a greater cash flow so that you're not taxing phantom profits. And thirdly, there has to be an improvement in the profit margins over and above what we have been able to experience in recent years. All three of these things have to happen. If you get one without the others, it's not going to be effective. If they fail to happen then, quite obviously, you're going to have a shrinking steel industry.

Even one strike, and you're out. It's not a very encouraging prospect. —**Subrata N. Chakravarty**

It's been down so far for so long, there may be no other place for it to go but up.

Specialty steel



David M. Roderick, chairman of U.S. Steel, seems content that some progress has been made in strengthening the U.S.' basic steel industry through a reconstituted trigger-pricing mechanism. But no such optimism pervades the specialty steel segment of the business, which was specifically excluded from the TPM provisions. The specialty steelmakers—which turn out products like stainless, tool steels and high-temperature alloys—have been under attack by import competition every bit as remorseless as that which afflicts basic steel itself, and TPM, curiously enough, is likely to hurt more than it will help.

For the view from the other end of the industry, Forbes talked with William H. Knoell, president of Pittsburgh's Cyclops Corp., one of the four largest U.S. specialty steel companies.

The specialty steel industry is far stronger than the basic steel industry. Why are you so concerned about not being included in the trigger-price mechanism?

Knoell: Because historically we have had as severe or more severe problems with imports than carbon steel has. Until the voluntary restraints period in 1966-67, we really didn't have an import problem. The voluntary restraints were simply tonnage agreements with the rest of the world on how much steel they could ship. Foreigners had only a tonnage limitation, so they switched to the higher-valued specialty products, and we got clobbered. Total tonnage of imported steel went down, but imported specialty steels went way up. We are very concerned that there will again be a deflection to specialty steels because of the restraint on carbon steel. It's sort of like declaring an open season."

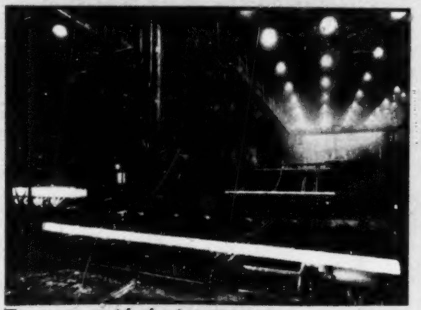
Why weren't you included in the TPM?

It was an accident of timing that the initial trigger prices came out in 1977. We had gone to the International Trade Commission earlier and had already won quotas [from 1976 to February 1980]. So there was no reason to include specialty steels. The level of imports in specialty steels has generally run at a higher level than basic carbon steel. Take stainless bars. In 1975, before the quotas, imports were 23% of sales. Carbon steel was maybe 14% to 15%. During the quota period bar imports dropped to 15.9% but in the first six months of 1980, since quotas ended, they have jumped back to 20.1%. We are saying that the import level runs a very great risk of jumping right back to the high levels that existed when we first brought our case.

Is the specialty steel industry behind the rest of the world in technology and modernization?

By and large, we believe we are the world's low-cost producer. There haven't been the basic changes in technology as in the basic steel industry. We have as good equipment as there is anywhere in the world.

The solution that's not a solution


Toe to toe with the Japanese

America's most profitable steel company doesn't want government help, trigger-price mechanisms or other import protection. It competes with the Japanese on equal terms, and it doesn't face the same problems as the rest of the industry because it has deliberately built its company to avoid them. The company is Nucor, a minimill producer, with three mills, 1 million tons of steel output, a net income of about $45 million on $480 million in sales and a 30%-to-40% return on stockholders' equity. Unlike the big integrated companies with mines, coke ovens and blast furnaces, Nucor operates off scrap in modern electric-arc furnaces and continuous casters.

Nucor's basic advantage is that in building the company President F. Kenneth Iverson, 55, was able to start from scratch. As a result, his production costs are considerably lower than either the industry average or his Japanese competition. "Our average plant is something like 4½ years old," he says, "and we have been able to take advantage of all that new technology." Using innovations like continuous casting, Iverson has held his energy costs at $38 a ton, *vs.* $60 to $70 a ton at the average U.S. mill. Better still, he has held his labor costs to $50 a ton, *vs.* an estimated $130 a ton for the eight top steelmakers. He's done that by locating his mills in such unlikely places as Norfolk, Neb., Jewett, Tex. and Darlington, S.C., where he doesn't have to hire union labor or put up with union work rules. Swapping incentive payments for productivity, Nucor paid its hourly workers at Darlington an average of more than $22,000 last year, *vs.* $23,800 for the industry.

With such a cost basis, Nucor has been as price-competitive as any Japanese or British exporter. "If it takes a price cut to take an order, they'll take it," says Drexel Burnham Lambert analyst David Healy, "and since they are probably the lowest-cost steelmaker in the world, they can afford to cut." Which may be why between 1974 and 1979 Nucor's sales increased 167%, while production tripled. With such price flexibility, Nucor's prices on most of its products are already below the trigger-pricing levels designed to keep out imports. Small rods, for example, sell at $290 a ton, *vs.* the $350 to $370 trigger-pricing level. Over time, says Iverson, trigger pricing won't make U.S. steel competitive, it will only keep prices artificially high, encourage manufacturers to relocate abroad and delay "the inevitable closing of 8% to 10% of our steel industry that is so antiquated it can be neither modernized nor made environmentally acceptable."

Nucor has no such problems. "Over 50% of our markets are dominated by foreign steel," Iverson says, "yet most of our market share increases have been at the expense of foreign steel." And he adds jokingly, "We could ship to Japan but we can make more profit selling steel here."

It's a solution that's no solution: closing down much of the industry and starting all over again.—Jon Schriber

Specialty steel

Yardsticks of management performance

	Profitability								Growth			
	Return on equity			Return on total capital					Sales		Earnings per share	
Company	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
Nucor	32.8%	1	37.7%	0.3	29.0%	1	23.6%	10.3%	24.3%	1	32.2%	1
Colt Industries	18.2	2	17.5	0.4	11.5	5	11.6	4.5	15.2	2	15.7	3
Carpenter Technology	17.9	3	17.3	0.0	16.1	2	16.4	7.3	13.2	4	20.1	2
Earle M Jorgensen	17.7	4	16.9	0.2	14.6	3	14.9	5.7	10.9	9	14.6	4
Crane	16.8	5	12.1	1.0	7.9	10	9.9	2.9	6.3	18	10.7	7
Athlone Industries	15.1	6	5.3	1.5	4.6	12	8.3	1.0	5.9	19	11.6	6
NVF	14.1	7	7.9	2.4	3.5	8	11.5	2.5	9.3	12	9.5	9
Copperweld	13.4	8	10.8	0.3	8.4	9	10.6	3.6	11.7	7	4.0	13
Central Steel & Wire	13.3	9	8.3	0.0	8.0	4	13.0	1.8	12.4	5	12.0	5
Hanna Mining	13.1	10	11.5	0.2	9.4	6	11.6	12.8	8.6	13	9.7	8

Note: Explanation of Yardsticks calculations on page 49.
P-D: profit to deficit. def: deficit.

Specialty steel

Yardsticks of management performance

	Profitability								Growth			
	Return on equity			Return on total capital					Sales		Earnings per share	
Company	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
Allegheny Ludlum Inds	12.1%	**11**	21.1%	0.7	10.0%	**14**	7.0%	4.6%	11.8%	**6**	8.5%	**10**
Northwestern Steel	11.7	**12**	7.8	0.0	7.7	**7**	11.5	4.7	8.4	**14**	–0.6	**15**
National-Standard	10.8	**13**	4.8	0.2	4.1	**11**	8.4	1.7	9.9	**10**	7.2	**11**
Lukens Steel	7.9	**14**	3.0	0.3	2.3	**15**	6.7	1.1	7.5	**15**	3.9	**14**
Interlake	7.7	**15**	2.4	0.5	2.7	**13**	7.0	0.7	13.3	**3**	–0.9	**16**
Cyclops	6.8	**16**	def	0.4	1.3	**16**	5.3	0.0	9.8	**11**	6.9	**12**
Wheeling-Pitts Steel	3.4	**17**	4.9	0.4	4.4	**17**	3.4	1.9	7.4	**16**	–12.7	**17**
Keystone Consolidated	def	**18**	def	0.4	def	**18**	0.8	def	6.6	**17**	P–D	**18**
McLouth Steel	def	**19**	def	0.7	def	**19**	def	def	11.4	**8**	P–D	**18**
Industry medians	**13.1**		**7.9**	**0.4**	**7.7**		**9.9**	**2.5**	**9.9**		**8.5**	
All industry medians	**15.8**		**16.1**	**0.4**	**11.0**		**11.1**	**5.0**	**14.3**		**13.9**	

Note: Explanation of Yardsticks calculations on page 49.
P-D: profit to deficit. def: deficit.

If you have a cost advantage, why are you concerned about import competition?

Because so much of the rest of the world's steel industry isn't being operated with the same criterion of earning a profit to be in business. They come in, and they attack the big-volume products that are the underlying support of our operations. We at Cyclops have shut down our wire operation, we've shut down our rod operation. We're concentrating on high-temperature metals, things that aren't subjected to import competition. The problem is that these products share facilities with other products, and when you lose the throughput of the other products, it begins to hurt your business.

When you say the rest of the world doesn't operate its steel industry with the same profit criterion, I assume you're talking about government involvement?

After World War II the rest of the world recognized that the underpinning, the guts of an economy, is the steel industry. So it's been nationalized, socialized and government-supported throughout the world, more often than not, even in nations that practice a market-type economy.

But that's not true in Japan.

The Japanese selected it as a target industry and funneled their resources into it. The Japanese steel industry has 87 cents of debt for every 13 cents of equity. Well, that's not the kind of capital structure that a marketplace economy will support. You'd better have a friendly banker if you're going to have that much debt to equity. The Japanese *have* a friendly banker. It's their central bank. We're dealing with a very fundamental issue. How is an economic system that is state-run—run for employment with the taxing authority of the nation being used to provide the capital—going to interface across an international border with an economic system over here that operates on a marketplace system?

Still, the industry has been spending its money on diversification and dividends instead of investing in the industry.

When we look at an investment we look at how much return we're going to get on it. All during the 1960s, there was not an attractive return to be made investing in steel. But you're saying: "Well, you should invest in steel anyhow." Is that the way our marketplace system is supposed to work? Isn't the money supposed to go to the investment that shows a return?

The end point of that argument is clearly that you don't belong in the industry.

We *have* been liquidating capacity. The industry can't justify investments in steel because there isn't any profit in it. The return in our industry has been so bad that it is viewed as a terminal case in profitability. But it so happens that we're the most profitable steel industry in the world. We earned 2.9% on assets in 1979. That's lousy, isn't it? But it's a helluva lot better than 1.1%, which is what the Japanese earned. We've been liquidating the industry with that kind of return on our assets. We can't attract equity—you know what steel stocks sell at. There's something wrong with the system when the most profitable steel industry in the world can't justify investment. The steel industry in this country isn't going to disappear. But if it is going to be run as a nonprofit operation, it's going to end up as a government operation. They are the only people who run nonprofit operations very long.

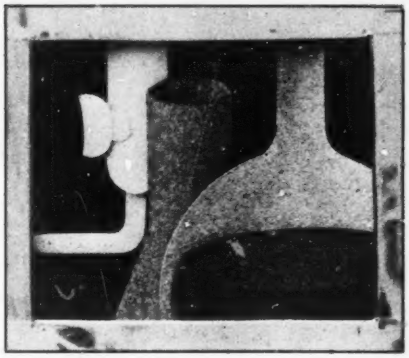
Even if you're covered by TPM, how long will you be protected?

It annoys me when you use the word "protected." The trigger price is a trigger to investigate unfair trade. That is not protection, because I don't think unfair trade is something that you ought to be subjected to. That's saying that the law of comparative advantage isn't working. The guy that has got higher costs is able to take your market for some artificial reason. I don't think that's right.

Still, aren't we talking about a perpetual trigger price?

The openness of the U.S. market and the fact that we've allowed this to happen for 20 years has encouraged much of the rest of the world to build steel capacity. This country absorbed all of that steel, and nobody raised any fuss about it. What's happened in the last four years is that there's been a message delivered from this country. The message is: Get your goddamn house in order. We're not going to shut you out, but straighten up, quit adding capacity. The message is getting through. If it had been delivered 15 years ago, Japan wouldn't have added all that capacity. They would have slowed down as they are now slowing down. Europe is doing some rationalization, cutting back their capacity. But it can't get corrected overnight. The trigger price will provide the rest of the world with some time to adjust to the fact that they're not going to ship here. Then our trade laws can be used effectively, because they can pick on an individual situation. The problem today is that the unfair trade is so massive that our trade laws, as they are structured, can't deal with it. I'm bullish on steel. I think the next decade for the steel industry is going to be dramatically different from the last couple. At the moment we happen to be standing in the bottom of a hole.—**Subrata N. Chakravarty**

So far, American petrochemical producers have little to worry about from upcoming Middle East competition. But will it last?



Chemicals

THE 1980s WILL BRING A CHANGE to world petrochemical markets—the entry of developing countries, especially in the Middle East, into the business. What will that mean to American producers? That's a question they have been asking themselves for years, and nobody yet has an answer. So far, only a few plants have gone into production, and construction on the giant Bandar Khomeini complex in Iran has ground to a halt in the latest holy war.

But Saudi Arabia now has firm agreements for five major joint ventures with foreign partners that would bring 3.2 million metric tons in net basic petrochemical production on stream between 1983 and 1985, and negotiations are in progress for another 1.5 million metric tons of capacity. Kuwait and Egypt are talking about building ethylene plants, Israel reportedly is thinking of expanding its plants. Add to that the prospect of future petrochemical development in Mexico, Canada and other countries with plentiful oil and gas reserves, and the uncertainties multiply. "There are a lot of foreigners who could participate in the world market after 1985," says analyst Sano Shimoda of First Boston. "How big the numbers are has yet to be determined. But I think all the American companies are going to adjust their strategies to deal with that."

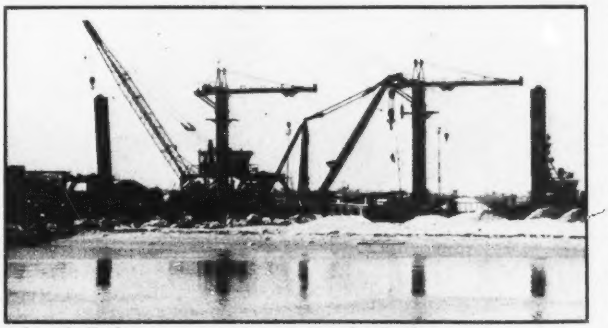
For the short term, at least, those American producers are not greatly worried. They point out that the Saudis, by far the biggest factor in the current wave of Mideast petrochemical development, have said they want only 4% of the world market—equivalent to about one year's growth in worldwide demand. At first, most of the output will go to the U.S., Europe and Japan, later to the Third World—the Mideast, Africa, India and Southeast Asia. More to the point, it should move at competitive prices. The Saudi cost advantage resulting from cheap and abundant feedstocks and favorable financing will be offset by high shipping costs and by the cost of building in the Middle East, which can run 40% to 60% higher than that of building a similar plant on, say, the Louisiana coast.

But producers are still nervous. A lot depends on the Saudis entering the market in an "orderly fashion," as they have promised. Everyone agrees that even a 4% or 5% chunk of additional capacity, if it came during a period of oversupply or even balance of supply and demand, could disrupt world prices for a short time. After all, a government-backed venture has certain advantages. If the Saudis have trouble getting rid of their chemicals, they can always dump them on the market or, more likely, tie crude oil purchases to chemical purchases. Either way, competing American petrochemical exporters could get hurt, at least temporarily.

"If all the plants came in in the same year, there's no question but what there would be some disruption," says J.E. Mitchell of Dow Chemical, who as director of corporate planning has been following negotiations for Dow's joint venture with the Saudis. "But I don't think they will. I don't think the

How it works

The largest of the petrochemical complexes planned for Saudi Arabia is the "grass roots facility" at Al Jubail, a joint venture between Sabic (the state industrial development company) and Shell (FORBES, *Nov. 24, 1980*). The main inducement for American companies to go into joint ventures with the Saudis has been the promise of crude oil. Although details haven't been worked out yet, Shell will probably get on the order of 200,000 barrels of crude a day, which it can use as a source of feedstocks for its petrochemical plants at home. In return, Shell will provide its technological and marketing skills and training.



Sabic-Shell plant construction site at Al Jubail

Because building a plant in Saudi Arabia takes longer and costs more than it would in the U.S., the Saudis are offering some very attractive financing: 70% of the $3 billion complex will come from loans provided by the Saudi government and commercial banks. About $800 million in equity will be shared equally by the partners, Sabic and Shell, who will split the proceeds on a 50-50 basis. The low price of Saudi natural gas feedstocks will offset shipping costs and import duties.

When the complex gets into production in 1985, it will produce about 1.6 million metric tons a year (net) of ethylene, ethylene dichloride, styrene, ethanol and caustic soda—all basic petrochemicals used as building blocks for more complex products. Shell will have the right to market half the product; the Saudis will have the right to market the other half themselves, but will probably have Shell sell it for them at first. Shell plans to bring most of the chemicals back to its own plants in the U.S. to be refined into higher products—ethylene dichloride into vinyl chloride monomer (a precursor of plastic), for example, and styrene into polystyrene. The rest of the Al Jubail output will be sold primarily to third parties in the U.S., Europe and Japan.—J.C.

earliest plant will be in until 1985, and the rest will spread out between 1985 and 1990." Target dates for plant completion have a way of stretching out in the Middle East, where almost all parts must be imported and working conditions are difficult. And besides, the U.S. partners in such ventures will be in a position to slow down the projects if they see that capacity will be coming on at a bad time. "The partners are looking at their worldwide balance of capacity needs," says Harry Flavin, a Houston-based analyst with Merrill Lynch. "They're planning to fit this in, but if the system says 'we don't need it,' they're going to do their damnedest to make sure it doesn't come until they're ready for it."

One thing at least seems certain: Once the Saudis get their petrochemical operations on stream, the competition will mount, especially for the small but fast-growing Third World markets the Saudis are aiming for over the longer term. The American and European companies may find themselves being pushed back. If nothing else, by the time the Saudi plants go into full swing, according to Bruce Pickover of Chem Systems, decontrol will have wiped out most of the competitive advantage U.S. producers have had because of their price-controlled feedstocks.

But the problem is probably more basic than that. As the copper producers learned to their grief in the Sixties and Seventies, private enterprise in competition with government is always at peril. Governments manage their business enterprises for purposes that have nothing to do with profit or loss. They go on producing when they ought to shut down, go on expanding when the market is already oversupplied—because they need to invest their excess capital for lack of anything better to do with it, because they have political goals that have nothing to do with economics. Perfectly valid reasons, to be sure. But such reasons can nonetheless beggar the private enterprises forced to compete with them.

The big question is, what will happen after 1990? By then the Saudis should be ready for further expansion, and other petrochemical plants as yet unplanned in countries like Mexico, Canada or Brazil could be coming on stream. "Saudi Arabia will be the biggest factor, but it won't be the only one," says Dow's Mitchell. "And if the Saudis decided to keep right on expanding . . . ," his voice trails off. "They have said they won't. But you'll never know until 1990."—**Jane Carmichael**

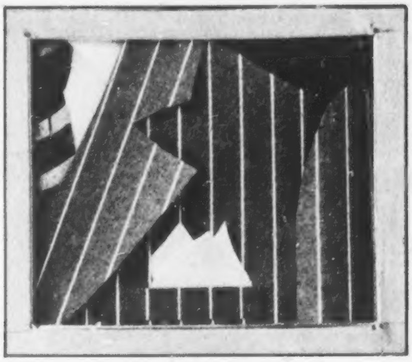
Chemicals

Yardsticks of management performance

	Profitability								Growth			
	Return on equity			Return on total capital					Sales		Earnings per share	
Company	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
Diversified												
Diamond Shamrock	22.4%	**1**	21.7%	0.7	12.3%	**2**	13.0%	7.2%	20.2%	**1**	15.5%	**2**
Dow Chemical	21.1	**2**	19.4	0.7	11.7	**2**	13.0	7.3	17.2	**3**	12.7	**5**
Stauffer Chemical	18.6	**3**	15.2	0.4	11.4	**1**	13.0	7.9	14.5	**5**	15.1	**3**
E I du Pont	16.0	**4**	13.8	0.2	10.9	**4**	12.2	5.4	12.9	**8**	11.1	**6**
Union Carbide	14.2	**5**	16.2	0.4	10.9	**6**	10.0	6.7	13.6	**6**	8.0	**8**
Pennwalt	13.9	**6**	12.0	0.5	8.5	**9**	9.8	3.8	12.1	**9**	14.5	**4**
W R Grace	13.6	**7**	17.5	0.5	12.2	**8**	9.9	4.8	10.2	**14**	7.0	**9**
Hercules	13.6	**7**	11.2	0.3	9.0	**5**	10.3	4.5	11.4	**11**	8.7	**7**
Monsanto	12.9	**9**	8.2	0.4	6.4	**10**	9.5	3.5	13.5	**7**	5.9	**10**
American Cyanamid	12.8	**10**	11.6	0.4	8.9	**7**	9.9	4.6	12.1	**9**	4.2	**12**
Celanese	12.1	**11**	11.2	0.4	7.5	**11**	7.9	3.4	10.8	**13**	16.0	**1**
Allied Chemical	10.9	**12**	19.1	0.6	11.5	**13**	7.3	5.1	15.4	**4**	4.9	**11**
Rohm & Haas	9.8	**13**	14.9	0.4	11.7	**12**	7.8	5.6	11.0	**12**	3.0	**13**
Reichhold Chemicals	7.4	**14**	5.3	0.4	4.8	**14**	6.5	1.3	18.7	**2**	–3.1	**14**
Medians	**13.6**		**14.4**	**0.4**	**10.9**		**9.9**	**5.0**	**13.2**		**8.4**	
Specialized												
Lubrizol	26.7%	**1**	30.3%	0.0	28.2%	**1**	24.9%	12.5%	16.2%	**5**	16.9%	**8**
Nalco Chemical	25.6	**2**	26.1	0.0	25.3	**2**	24.6	11.2	16.1	**7**	16.9	**7**
Sun Chemical	24.3	**3**	24.1	1.1	13.2	**4**	14.9	5.8	13.7	**13**	48.9	**1**
Cabot	21.0	**4**	39.6	0.6	23.7	**8**	13.8	10.9	20.9	**2**	36.0	**2**
Intl Minerals & Chem	20.6	**5**	18.8	0.5	12.4	**10**	13.5	8.4	14.3	**12**	16.0	**9**
Dexter	19.7	**6**	18.8	0.3	13.1	**5**	14.9	4.9	29.1	**1**	22.8	**3**
Freeport Minerals	19.7	**7**	35.5	0.3	24.4	**3**	15.4	21.9	15.2	**9**	15.1	**10**
Air Prods & Chems	19.6	**8**	20.3	0.4	11.4	**12**	11.6	8.1	18.7	**3**	22.1	**4**
Mallinckrodt	19.4	**9**	16.4	0.2	13.0	**6**	14.2	8.2	16.7	**4**	18.7	**5**
Thiokol	18.5	**10**	18.2	0.1	12.9	**9**	13.8	5.6	12.6	**15**	18.0	**6**
Witco Chemical	18.1	**11**	17.0	0.5	11.0	**11**	12.0	3.6	15.0	**10**	14.9	**11**
Ethyl	17.7	**12**	14.2	0.3	10.1	**14**	11.0	5.0	12.8	**14**	10.8	**13**
Ferro	15.8	**13**	14.5	0.2	12.2	**7**	13.8	4.4	14.9	**11**	9.6	**14**
Liquid Air of No Amer	15.3	**14**	13.8	0.4	10.0	**13**	11.5	7.2	15.4	**8**	11.7	**12**
Williams Companies	9.9	**15**	18.7	0.7	10.3	**15**	6.4	6.8	16.1	**6**	–2.8	**15**
Akzona	4.5	**16**	3.0	0.6	3.1	**16**	3.8	0.9	6.8	**16**	–11.1	**16**
Medians	**19.5**		**18.8**	**0.4**	**12.7**		**13.8**	**7.0**	**15.3**		**16.5**	
Industry medians	**16.9**		**16.7**	**0.4**	**11.5**		**11.8**	**5.6**	**14.7**		**13.6**	
All industry medians	**15.8**		**16.1**	**0.4**	**11.0**		**11.1**	**5.0**	**14.3**		**13.9**	

Note: Explanation of Yardsticks calculations on page 49.

Manhattan's Seventh Avenue isn't what it used to be. The garment industry is less of an adventure and more of a business.



Apparel

LIKE SOME OF THE FABRICS IT USES, the apparel industry is shrinking its way to strength. Although the number of public companies in the industry has dropped dramatically in the last decade, the remaining firms are in better financial shape and their stability is giving a new buoyancy to industry forecasts. "There has been a tremendous consolidation," says Joseph Scheines, a spokesman for New York-based Kurt Salmon Associates, the largest apparel consulting firm. "But there are better players in the game, and it is beginning to make a difference."

In 1970 there were an estimated 150 public companies making apparel in the U.S. Last year there were just 82. Out of an estimated $43 billion industry, the 20 largest public companies now do $11 billion in annual business, about 25% of all industry revenues.

The industry's problems have been mostly due to the "four Is"—imports, inventories, inflation and interest rates. They have made it impossible for many companies to compete.

The most vexing area by far has been competition from imports. Over 20% of all apparel sold in the U.S. is now imported, up from around 5% in the mid-1960s. Because many garments do not lend themselves to automation, less competitive firms have been undersold out of business by imports. The problem has eased somewhat recently, though, as importers' costs have risen.

Unlike the import threat, the inventory dilemma is unique to apparel. The variety of fabrics, sizes and colors a manufacturer must carry means that as many as 100 stockkeeping units are needed for each style kept in stock. The inability to manage inventories effectively—the number one problem at many companies—leads to heavy markdowns, low profits and, ultimately, marginal businesses. Kurt Salmon's Scheines estimates that a minority of apparel manufacturers give inventory management the attention it deserves.

Inflation and interest rates have dogged apparel just as they have other businesses. But the apparel business had been caught in a double squeeze. As consumers' discretionary income has fallen, the proportion of each dollar spent on clothing has been going down, too. In 1960, 6.8 cents of each disposable dollar went into apparel. In 1979 it was 5.5 cents. "If the trend continues, it's all over," jokes Jay Meltzer, who follows apparel at Goldman, Sachs. "There'll be nothing spent for apparel." It's not quite as bad as all that. For, in absolute terms, the total retail amount spent on apparel and footwear is still increasing. In 1980 it was about $107 billion, up from $99 billion in 1979.

But those are inflated dollars and so the fight for unit volume is getting rougher and only the strong can survive in the long run. At the top of the list are Levi Strauss & Co. and Blue Bell, whose combined annual revenues of $4.1 billion are about 10% of the industry's total. Levi Strauss is already active in women's and children's wear, and recently broadened its reach through its purchase of Koracorp, the maker of Koret of California sportswear, Resisthol Hats and Oxxord Clothes. Blue Bell, which makes Wrangler jeans, last year bought Jantzen sportswear. The two companies have employed the most effective hedge against being squeezed by imports: known and respected brand names. In women's clothes as in jeans, stores must stock brands like Jantzen and Wrangler because customers ask for them.

But brand-name identification is not the only reason these companies are successful. They are fighting the import phenomenon by joining it. Increasingly, they are selling merchan-

Something happened

Wool looks like a product whose time has come again. Wool outfits, from preppie kilts to proper business suits, grace the windows of department stores more than at any time in years. Retail sales of wool garments probably topped $10 billion in 1980, $4 billion more in constant dollars than 1974's record low. Wool and chiefly wool fabric production soared 12% in the first six months of 1980, an indication the trend will continue.

The I.W.S. Woolmark

Why the new popularity of a fabric that went out with the introduction of man-made fibers like polyester? The Wool Bureau, the U.S. arm of the International Wool Secretariat, has been pushing wool here since 1949. To promote the virtues of wool in thousands of ads, it uses the Woolmark and slogans like "Wool. It's worth more. Naturally."

But the Wool Bureau couldn't stop the slump in demand that bottomed out in 1974, and it probably can't claim its ad campaign—reaching 34 million households—brought wool back. Something *did* happen, however.

"Wool is warm, it breathes, resists stains, resists fire and keeps its shape and color," says Thomas Haas, a vice president at the Wool Bureau, groping for some explanation.

Because of inflation, people are also looking at apparel more as an investment. On this score, wool comes out tops. Says Haas, "Today, people are buying garments as they would buy a car. The days of the fad garment are gone." In short, wool lasts.

True, wool accounts for only 2% of all fibers consumed in the U.S., but woolens and wool blends now take a 13% share of the adult tailored-apparel market. In coats they take a hefty 35%. That's bad news because only half of the wool used in U.S.-made apparel is produced here. But it's good news for U.S. manufacturers. Fully 82% of wool and wool-blend menswear and 87% of all wool and wool-blend womenswear consumed in the U.S. are also produced here. So, for wool at least, consumed in the U.S.A. probably means made in the U.S.A., too.—Alyssa A. Lappen dise outside the U.S., or using foreign facilities to manufacture their product. Last year Levi Strauss sold $649 million in apparel in foreign markets in the first nine months—32% of total revenues—and manufactured 33% of its volume overseas. Some 36% of all Blue Bell sales are now outside the U.S.

Smaller, well-run companies are also joining the import parade. A prime example is Kennington, a $95 million (sales) menswear company with a 34.3% return on equity. Kennington imports virtually all the apparel it sells.

As they grow more international, the big companies—and successful small ones—are also diversifying, in part to hedge against fashion change. In addition to Levi Strauss and Blue Bell, others expanding their product lines include Palm Beach, Phillips-Van Heusen, Warnaco and Interco.

"This used to be an up-and-down business, tied almost exclusively to fashion," says Robert Nahas of Kurt Salmon. Now, he says, partly because of such diversification, "The base is broader." This trend toward stability has been given a nudge by a social phenomenon: more flexibility in women's fashion. Says Nahas, "There's less of a sheep mentality out there. The industry has stopped trying to foist a single look on the consumer."

The upshot is that the outlook for 1981 is the best in years. A Kurt Salmon survey of 87 companies shows they believe consumers will spend 9% more on apparel and footwear in 1981 than they did in 1980. With prices expected to rise by about 7%, that allows for 2% real growth in the industry. That's not what you would call heady growth, but it's enough, with the number of firms shrinking and diversification offsetting fashion changes, to assure a good year for the apparel industry—barring, of course, a recession that turns into a depression.—**Carol E. Curtis**

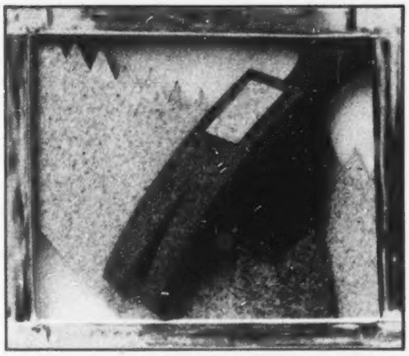
Apparel

Yardsticks of management performance

	Profitability								**Growth**			
	Return on equity				Return on total capital				Sales		Earnings per share	
Company	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
Clothing												
Levi Strauss	34.3%	1	31.4%	0.2	27.7%	1	29.3%	8.2%	21.6%	1	38.5%	1
Blue Bell	25.5	2	19.0	0.1	17.2	2	21.5	4.9	18.1	2	27.6	2
VF	16.7	3	19.3	0.1	16.5	3	14.3	7.0	8.4	4	9.2	5
Interco	14.8	4	14.5	0.2	12.0	4	13.3	5.3	10.7	3	9.3	4
Rapid-American	12.9	5	7.8	2.7	6.5	8	6.4	1.0	0.1	12	D–P	
Kellwood	12.1	6	6.6	0.9	5.5	5	8.8	0.9	8.3	5	6.8	7
Cluett, Peabody	10.3	7	9.0	0.4	7.2	6	8.7	2.5	3.7	10	23.2	3
Hart Schaffner & Marx	9.4	8	10.4	0.3	9.2	7	8.2	3.4	6.0	8	8.7	6
Phillips-Van Heusen	5.6	9	6.1	0.7	5.3	10	4.7	1.4	3.5	11	5.4	8
Warnaco	5.2	10	16.9	0.5	11.9	9	5.0	3.3	6.9	7	–11.4	9
Manhattan Industries	def	11	def	1.1	def	11	3.1	def	8.3	6	P–D	10
Jonathan Logan	def	12	def	0.3	def	13	def	def	4.7	9	P–D	10
Genesco	def	13	2.0	1.4	4.2	12	def	0.6	–4.9	13	D–D	12
Medians	**10.3**		**9.0**	**0.4**	**7.2**		**8.2**	**2.5**	**6.9**		**7.8**	
Textiles												
Cone Mills	18.1%	1	18.3%	0.1	16.8%	1	15.9%	7.2%	11.2%	2	27.1%	2
Fieldcrest Mills	15.8	2	11.9	0.5	8.9	3	11.2	3.4	10.6	3	20.3	3
Riegel Textile	14.9	3	15.2	0.3	11.0	4	10.8	4.2	9.8	6	18.0	4
Reeves Brothers	14.5	4	13.8	0.2	11.7	2	12.1	5.0	9.3	9	16.7	5
Collins & Aikman	11.8	5	7.3	0.3	5.6	5	9.8	2.3	10.4	4	5.2	11
West Point-Pepperell	11.7	6	14.6	0.4	11.1	6	9.6	3.4	14.7	1	14.7	7
Dan River	9.7	7	11.7	0.4	8.4	10	7.0	3.5	6.8	12	39.4	1
Graniteville	9.3	8	11.7	0.3	9.2	8	7.9	3.6	10.2	5	1.4	12
Cannon Mills	8.9	9	9.2	0.0	9.1	7	8.8	4.6	8.5	11	11.7	9
JP Stevens	8.8	10	8.3	0.6	6.7	9	7.0	2.3	9.4	7	16.4	6
Burlington Inds	8.6	11	7.7	0.4	6.4	10	7.0	2.8	5.0	13	5.5	10
Springs Mills	7.7	12	9.3	0.2	7.6	12	6.6	3.5	9.3	8	13.9	8
Avondale Mills	6.5	13	8.1	0.0	7.8	13	6.3	2.3	9.1	10	–1.9	13
M Lowenstein	1.6	14	0.5	0.6	2.5	14	2.8	0.1	3.5	14	–9.4	14
United Merch & Mfrs	def	15	def	4.0	def	15	def	def	–3.7	15	P–D	15
Medians	**9.3**		**9.3**	**0.3**	**8.4**		**7.9**	**3.4**	**9.3**		**13.9**	
Shoes												
SCOA Industries	29.4%	1	28.6%	1.0	16.5%	2	17.3%	3.3%	15.1%	2	64.3%	1
Melville	28.7	2	25.0	0.2	23.7	1	26.9	4.8	19.8	1	22.2	2
United States Shoe	17.6	3	18.3	0.3	14.5	4	13.5	4.0	12.5	3	16.6	3
McDonough	16.4	4	11.4	0.1	10.5	3	14.1	3.7	9.4	5	13.0	4
Brown Group	14.4	5	16.0	0.4	12.7	5	11.5	3.6	9.7	4	11.6	5
Medians	**17.6**		**18.3**	**0.3**	**14.5**		**14.1**	**3.7**	**12.5**		**16.6**	
Industry medians	**11.7**		**11.4**	**0.3**	**9.1**		**8.8**	**3.4**	**9.3**		**11.7**	
All industry medians	**15.8**		**16.1**	**0.4**	**11.0**		**11.1**	**5.0**	**14.3**		**13.9**	

Note: Explanation of Yardsticks calculations on page 49.
P-D: profit to deficit. D-D: deficit to deficit. D-P: deficit to profit; not ranked. def: deficit.

After a decade in the doldrums, domestic construction is beginning to boom again.



Construction contractors

DURING MUCH OF THE 1970s, the construction industry earned its bread and butter overseas. Money pouring into the oil-soaked Middle East was quickly converted into billion-dollar refineries, petrochemical complexes and even whole cities. But now at a time when U.S. engineering and construction giants like Fluor, Parsons and Bechtel are being hard-pressed by European and Asian competition abroad, the industry is on the verge of what could turn into a Middle East-like explosion in work right here at home.

The pickup in domestic refining activity already under way and the dawning of a synthetic fuel industry *(see box)* should keep companies plenty busy. Any concerted push to develop this country's conventional energy resources will bring with it multimillion-dollar jobs for gas processing plants, pipelines and related facilities that have contractors drooling.

After five years of little activity, almost every big U.S. oil company has begun a major project to modernize and expand its existing refineries. Fluor Corp. estimates that last year oil companies launched $20 billion worth of refinery work to be completed by 1985. That's a quantum leap from the $2 billion a year oil companies spent on refineries in the late 1970s.

Little new refining capacity will be built in the 1980s, unless it is to refine synthetic fuels, but worldwide shortages of light, low-sulfur crude oil and the government's 1979 decision to reclassify heavy oil and stronger refiner profits that resulted when price ceilings were lifted for gasoline have unleashed a flood of contracts for refinery modernization. The shift to heavy crudes (like produced in California) and so-called "sour" crudes (with high sulfur content) means refineries have to modify existing processes to turn these less desirable oils into products. In addition, the shift to unleaded gasoline and the need to upgrade the energy efficiency of old industrial plants (to avoid heavy energy costs) have also caused a massive remodeling effort.

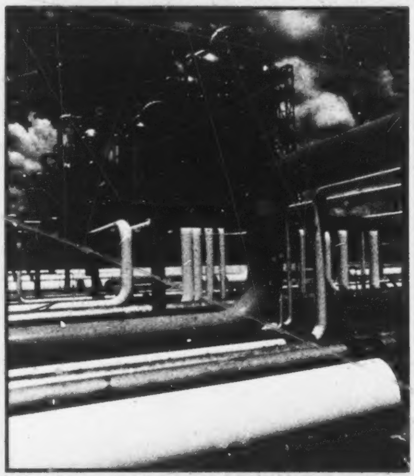
Brown & Root, a subsidiary of Halliburton, recently completed work on a more than $600 million major expansion for Phillips Petroleum in Sweeny, Tex. CF Braun, a subsidiary of Santa Fe International, is working with Shell on one of the

The biggest "if" in the business

If the stated goals of the Synthetic Fuels Corp. were met, 500,000 barrels a day of oil squeezed from shale rock, coal and tar sands would be flowing by 1987 and production would reach two million barrels by 1992. That's *if* Reagan doesn't dismantle Carter's infant synthetic fuels operation. For the half dozen or so U.S. construction and engineering firms with the financial clout and expertise to handle such projects, there's a great deal at stake: $63 billion in capital investment just to meet those initial goals.

"No one can say, 'I'm Mr. Big' in this or that because no one has built a synthetic fuel plant in the U.S.," says William Leonhard, chairman and chief executive of Parsons Corp., one of the companies jockeying for position. Parsons Corp. was recently picked to do design and engineering work for the $1.5 billion SRC I project, which would liquefy coal under the sponsorship of the Department of Energy and several private companies, including Wheelabrator-Frye.

But probably Fluor Corp. holds a slight edge. Fluor is the only construction outfit with experience in building a commercial-scale synfuel plant. Ever since 1975 it's been working with South Africa's SASOL Corp., expanding that country's 25-year-old coal-to-"oil" operation.



Fluor's South African synfuel plant

For the U.S., a model for the future.

Last year Fluor signed a knowhow and marketing agreement with Sasol to peddle the technology to U.S. customers. It has already signed up Texas Eastern's synfuels division for a feasibility study on a Sasol-type plant. Having established a solid fuels division in 1970 to keep up with advances in shale, tar sands and coal technologies, Fluor feels it can work across the board.

CF Braun has a good position in shale, having worked with Tosco on its Colony project in the early 1970s. Now Braun will have a big part of the 45,000-barrel-a-day operation that Tosco and its new partner, Exxon, plan to build.

Companies that have not yet positioned themselves in synthetic fuels are buying their way in. McDermott, having lost out on Pullman to Wheelabrator-Frye, recently agreed to get together with Koppers Corp. in a joint venture to build and market coal gasification plants worldwide.

Competitors will probably find themselves working together, however. These multibillion-dollar synthetic fuels projects are so large that the tendency is to hire not one but a handful of companies to set up and run the operations. If and when synthetic fuel takes off, there will clearly be business for everyone.—K.K.W.

Construction contractors

Yardsticks of management performance

	Profitability								Growth			
	Return on equity			Return on total capital					Sales		Earnings per share	
Company	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
Heavy construction												
Parsons	30.9%	**1**	24.6%	0.2	21.4%	**1**	23.5%	3.8%	11.5%	**13**	31.2%	**1**
Parker Drilling	25.3	**2**	21.8	0.7	13.8	**5**	14.3	10.4	32.5	**3**	29.8	**3**
Fluor	24.8	**3**	27.5	0.1	18.5	**2**	20.9	2.8	32.6	**2**	31.1	**2**
Halliburton	23.4	**4**	20.4	0.1	17.5	**3**	18.7	5.6	22.0	**7**	25.4	**4**
Blount	22.1	**5**	21.3	1.1	9.8	**7**	13.0	2.1	9.1	**15**	18.8	**10**
Santa Fe Intl	18.7	**6**	16.6	0.7	9.8	**11**	10.7	6.6	22.5	**5**	24.0	**6**
Raymond Intl	18.0	**7**	4.3	0.5	4.2	**6**	13.7	0.7	22.1	**6**	25.3	**5**
Turner Construction	17.3	**8**	22.6	0.0	22.3	**4**	17.2	0.4	10.8	**14**	7.0	**14**
McDermott	16.0	**9**	6.9	0.3	5.2	**8**	12.6	2.8	33.2	**1**	11.9	**12**
Morrison-Knudsen	15.9	**10**	17.9	0.4	13.1	**9**	11.8	1.7	14.3	**11**	20.7	**8**
SEDCO	14.5	**11**	12.9	0.6	8.5	**13**	9.1	11.1	19.4	**9**	12.2	**11**
Fischbach	13.6	**12**	12.3	0.3	10.0	**12**	10.5	1.6	8.4	**16**	4.8	**15**
Dravo	13.3	**13**	10.5	0.4	8.5	**10**	10.8	2.3	12.3	**12**	11.4	**13**
United States Filter	10.4	**14**	12.5	0.7	7.3	**14**	8.8	3.3	27.0	**4**	23.2	**7**
Perini	8.1	**15**	8.1	0.1	6.2	**16**	6.4	0.9	16.0	**10**	18.8	**9**
Dynalectron	8.0	**16**	13.4	0.5	10.7	**15**	6.8	1.2	20.3	**8**	3.7	**16**
Medians	**16.7**		**15.0**	**0.4**	**9.9**		**12.2**	**2.6**	**19.9**		**19.8**	
Home building												
Centex	24.4%	**1**	34.0%	1.5	10.3%	**4**	10.5%	5.6%	21.8%	**1**	27.9%	**2**
U S Home	20.9	**2**	25.3	1.0	12.9	**2**	10.9	4.2	19.0	**2**	25.8	**3**
Ryan Homes	19.5	**3**	15.9	0.2	13.9	**1**	17.4	4.0	17.0	**3**	12.5	**5**
Kaufman & Broad	11.7	**4**	16.2	0.4	10.6	**5**	8.8	5.1	8.8	**4**	32.1	**1**
Del E Webb	11.1	**5**	8.5	1.3	7.1	**3**	10.5	2.0	8.1	**5**	13.2	**4**
Medians	**19.5**		**16.2**	**1.0**	**10.6**		**10.5**	**4.2**	**17.0**		**25.8**	
Industry medians	**17.3**		**16.2**	**0.4**	**10.3**		**10.9**	**2.8**	**19.0**		**20.7**	
All industry medians	**15.8**		**16.1**	**0.4**	**11.0**		**11.1**	**5.0**	**14.3**		**13.9**	

Note: Explanation of Yardsticks calculations on page 49.

three West Coast refineries Shell will be modifying to handle the heavy California crude and high-sulfur crudes coming from Alaska—at a cost of $600 million. Parsons is handling part of Standard Oil of California's $1 billion revamp of its Pascagoula, Miss. refinery. Champlin Petroleum Co. (a subsidiary of Union Pacific) has a $100 million expansion and modernization planned for its Los Angeles refinery, and Phillips has another $300 million effort under way in Borger, Tex. "Lots of oil has been neglected because it's too expensive to refine," says William McKay, president of Fluor Constructors International. "But now with higher prices for crude oil it makes economic sense to refine it, and refineries are gearing up to handle it."

Down the road, an estimated $5 billion could be spent annually by 1985 for plants to process natural gas, particularly from the oil- and gas-rich Overthrust Belt in the Rocky Mountains. Parsons has been selected to design and build a $3 billion gas-processing unit for Sohio on Alaska's North Slope. Waiting in the wings for all the big contractors is the $25 billion Alaskan gas pipeline. Converting oil to coal for electrical power generation will bring the utilities knocking at contractors' doors. And any big boom in coal use, whether in boilers or as the feedstock for synthetic fuels, will mean a revitalization of rail transit as well as facilities to wash, crush and handle coal.

The MX missile program is uncertain under Reagan, but if it goes forward along lines outlined during the Carter Administration, it would mean major work for the construction industry. In Carter's plan, each missile in place would require 20 shelters, all but one of them empty to confuse the enemy. "For 200 missiles that's 4,000 heavy-duty placements," says William Leonhard, chairman, president and CEO of Parsons Corp. "And there would be a special road network connecting the shelters in a given area."

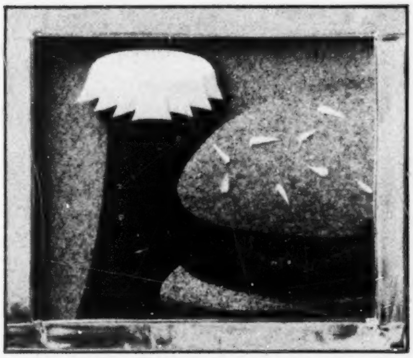
Construction outfits without any strong capabilities in so-called process engineering and design work have been acquiring companies that do. So anxious was Santa Fe International to get in on the boom in process plants like refineries, chemical plants and synthetic fuels that it went out last year and plunked down $296 million for CF Braun to speed up its entry into the field. "We could see Parsons and Fluor doing very well, so we wanted to develop that competitive ability," says Edfred Shannon, chairman and CEO of Santa Fe International. The battle between Wheelabrator-Frye and McDermott for Pullman had at its heart Pullman's Kellogg division, which is a leader in process plant construction as well as synthetic fuel technologies. Wheelabrator eventually paid about $600 million for Pullman.

All this potential domestic growth has not gone unnoticed overseas. "There's a distinct shift in this business," says Hugh Baird, president of CF Braun. "Foreign companies are beginning to buy U.S. engineering and construction companies." The U.K.'s Davy Corp. already owns Cleveland-based McKee Corp. West Germany's Lurgi, the engineering company owned by Metallgesellschaft, was reportedly shopping for a U.S. company last year before deciding to establish its own engineering operation here. J.A. Jones and Ford, Bacon & Davis have already been bought by the West Germans.

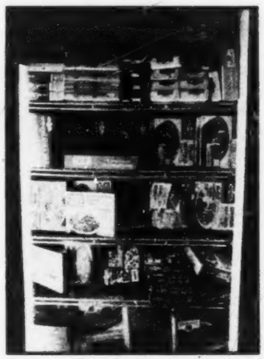
"I'm not in the forefront of those saying everything's great," says Parson's Leonhard cautiously, thinking of governmental and environmental hurdles ahead. "There's a lot of work, but it's not going to come down like an avalanche." But the business is still coming down, and given the failing competitiveness of U.S. companies abroad, that was something nobody else had predicted as recently as two years ago.—**Kathleen K. Wiegner**

Question: How do you build a new growth business? Answer: Get mother out of the kitchen and put her to work somewhere else.

Branded foods



THE BIG OPPORTUNITY FOR THE EIGHTIES," says an account supervisor at one of General Foods' advertising agencies, "is the massive growth in the number of two-income families and the enormous potential that growth holds for frozen foods." Last year, the frozen foods market approached $12 billion out of a total groceries market of over $225 billion. By 1985 the branded foods market will have shown modest growth; one manufacturer says the frozen foods segment is expected to double.



Frozen foods
Cool and profitable.

In single-income families, women have the time to cook from scratch and the need to pinch pennies by using lower-priced canned goods. But working wives haven't the time to cook, and they've got the money to pay a bit more for frozen foods. "The prime users of frozen foods are women between 18 and 49," says Neil Wilson, general manager of Stokely-Van Camp's frozen foods division. "Right now, over half of working women use them regularly. By 1990 we expect that figure to be up to 70%." The total number of working women, meanwhile, is expected to reach 54 million—up 35% from 1977's 40 million.

It's not simply the processors like Stokely-Van Camp, Pillsbury and General Foods that will benefit from the expansion of the frozen foods market. So will the retailer. Most grocery products produce gross margins of 18% to 20%, but frozen foods—energy costs notwithstanding—kick 28% to 30% into the pot.

Exploiting the market for those fast-moving products is a knotty problem for a lot of manufacturers. It's not just that frozen foods consumers are as fickle as any other food buyers. The margins vary widely from one frozen foods product to another, depending upon what kind of price they can command from the consumer. "If a frozen vegetable is not a specialty item," notes William Maguire, food industry analyst at Merrill Lynch, "then it has to be treated as a commodity, one that competes with canned or fresh vegetables that have price advantage." Thus, the biggest growth and profit potential lies in prepared foods—frozen entrees, vegetables in special sauces and "ethnic" combinations—products that command higher margins for producers. According to John Stafford, executive vice president in charge of consumer foods at Pillsbury, whose Green Giant combinations are head-to-head against General Foods' Birds Eye Inter-

Jell-O again

Back in the days before frozen pies and cakes and ice cream novelties, Jell-O brand gelatin reigned as the ultimate convenient dessert. Boil water, add powder, stir, chill and voilà! A light, tasty dessert. It provided General Foods with steadily increasing volume since it acquired Jell-O in 1897, eventually gobbling up 70% of the gelatin dessert market. By 1968, the peak year, the average American household consumed 16 boxes per year.

But even the most successful food products have a way of growing old, and after 1968 Jell-O's prospects became as jittery as, well, a bowl of Jell-O. Working women no longer had the time to prepare it, but they had money to buy quicker, if more expensive, desserts that began to eat into the $100 million gelatin market. Sharper competition from Standard Brands' Royal gelatin and private labels knocked down Jell-O's market share, and per-family consumption slipped to 11.4 boxes.

This spurred some hard thinking at General Foods. Peter Rosow, general manager of GF's dessert division, won't talk numbers, but Jell-O is a big part of the desserts division. Even Rosow had to concede the expensive alternatives were sexier than plain Jell-O. So in early 1979, the trademark's advertising agency, Young & Rubicam, began to interview consumers and bone up on reams of old studies. Its conclusion: Jell-O's appeal lay in it's emotional connotations rather than its cost or versatility. Noted Alexander Kroll, president of Young & Rubicam U.S.A., "There's a lot of affection for Jell-O. It's the name. It's Jack Benny [a longtime Jell-O promoter]. It's your mother serving it."

So in October 1979, General Foods rolled out its "fun" campaign—the first major push for Jell-O since 1972, when a recipe campaign failed to stop the slide. The media budget jumped from about $9 million to about $14 million, and General Foods bought heavily into prime-time television. The ads show large, middle-class families gathered together, for either a reunion or an anniversary. To the beat of spunky background music, the whole clan—from toddlers to grandparents—downs endless, multihued mounds of Jell-O. "We're not going to have dessert," exclaims one jovial character. "We're going to have fun!"

Such are the mysteries of media that the approach appeared to pay off. "With most packaged goods," Kroll says softly, "you can isolate an attribute—lightness, fastness. When you get a brand like Jell-O you find it is more universal. It has a totality of attributes that in some ways makes it harder to market. It requires a different frame of mind."

Jell-O's long-term decline was "stopped dead in its tracks." Since late 1979, in fact, per-family consumption is up one percentage point. GF's expanded advertising program helps expand the whole $200 million gelatin dessert market, overall gelatin consumption has risen and Jell-O's market share has nosed up from 70% to 71.4%.—Van Wallach national Vegetables, the tonnage in specialty frozen vegetables is likely to grow 3% to 5% a year in the long term. "That's about 3 times higher than the food industry overall," he adds. Given the high prices of specialty frozen foods, the impact of such growth on producer sales and profits should be significantly greater.

The other big growth area is frozen pizza—and manufacturers are falling all over themselves to get a piece of that $650 million pie. Pillsbury's Totino's brand has soared to a dominant position a bare two years after its crisp-crust technology was introduced. But it's only first among many. Frozen pizza is a fragmented business, attracting not only big national companies but scores of local producers as well. "It's almost a recession-proof product," says Pillsbury's Stafford. Why? Pizza, at less than $3, is an affordable substitute for steak.

A lot of frozen products are not immune to recession, however, nor to consumer whims—bakery and fish products, for example, and frozen entrees: "Entrees are hurting," says Craig Carver, an analyst at the Minneapolis brokerage firm of Piper, Jaffray & Hopwood, "largely because they're on the upper end of the price scale, which is where consumers are cutting back. Pillsbury has the added problem of being caught somewhere

Branded foods

Yardsticks of management performance

	Profitability								**Growth**			
	Return on equity			Return on total capital					Sales		Earnings per share	
Company	5-year average	5-year rank	latest 12 months	debt/equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
Diversified												
Dean Foods	21.5%	**1**	21.2%	0.4	15.6%	**1**	15.6%	2.0%	13.6%	**8**	29.6%	**1**
CPC International	19.0	**2**	19.1	0.2	15.6	**2**	15.4	4.7	10.0	**17**	14.2	**9**
General Mills	18.3	**3**	17.9	0.4	13.6	**8**	13.7	4.0	15.1	**6**	15.3	**5**
Curtice-Burns	18.3	**4**	14.4	2.6	7.1	**13**	11.1	1.2	27.4	**1**	13.7	**10**
Universal Foods	17.8	**5**	12.7	0.4	10.5	**5**	14.1	2.8	19.8	**2**	15.1	**6**
General Foods	17.7	**6**	15.9	0.2	13.2	**4**	14.2	3.7	12.4	**10**	14.4	**7**
Beatrice Foods	16.9	**7**	15.2	0.3	11.8	**7**	13.9	3.5	15.3	**5**	10.7	**15**
Ralston Purina	16.8	**8**	15.7	0.4	11.6	**11**	11.9	3.3	11.1	**13**	12.9	**11**
Pillsbury	16.6	**9**	17.1	0.8	10.5	**12**	11.6	3.5	17.3	**3**	15.7	**4**
Federal Co	16.5	**10**	7.6	0.1	7.1	**3**	14.6	1.3	15.9	**4**	18.6	**2**
Standard Brands	15.9	**11**	16.8	0.4	11.2	**14**	10.9	3.4	11.0	**14**	8.6	**19**
Consolidated Foods	15.6	**12**	16.7	0.4	11.8	**9**	12.4	2.4	13.6	**9**	11.5	**13**
H J Heinz	15.6	**13**	17.1	0.3	13.1	**10**	12.0	4.4	12.2	**11**	17.1	**3**
Campbell Soup	15.3	**14**	14.9	0.1	12.8	**6**	13.9	5.2	10.1	**16**	9.9	**16**
Norton Simon	14.3	**15**	12.7	0.6	8.4	**17**	9.7	3.9	10.8	**15**	8.8	**18**
Intl Multifoods	13.0	**16**	9.6	0.4	7.5	**15**	9.8	1.7	6.6	**22**	9.0	**17**
Borden	12.8	**17**	12.1	0.4	8.8	**16**	9.7	3.1	7.8	**20**	11.3	**14**
Castle & Cooke	10.8	**18**	4.6	0.7	4.7	**18**	7.8	1.3	14.1	**7**	5.6	**20**
Di Giorgio	9.3	**19**	8.1	0.9	5.8	**19**	6.8	1.0	11.4	**12**	14.3	**8**
Kane-Miller	4.4	**20**	5.1	0.8	5.4	**20**	4.8	0.7	7.2	**21**	–10.3	**21**
United Brands	3.6	**21**	6.9	0.5	5.6	**21**	3.7	0.9	9.7	**18**	D–P	
Ward Foods	def	**22**	def	3.4	def	**22**	def	def	–5.5	**23**	D–D	**22**
Dart & Kraft	**		**	**	**		**	3.8	9.6‡‡	**19**	12.2‡‡	**12**
Medians	**15.8**		**14.7**	**0.4**	**10.5**		**11.8**	**3.1**	**11.4**		**12.6**	
Specialized												
Kellogg	28.2%	**1**	27.2%	0.1	22.7%	**1**	23.4%	8.6%	14.0%	**4**	15.3%	**2**
Flowers Industries	19.8	**2**	15.9	0.5	10.8	**8**	12.4	3.2	20.9	**1**	16.4	**1**
Nabisco	19.1	**3**	20.3	0.4	14.1	**7**	13.0	4.9	8.3	**12**	12.8	**8**
DPF	18.4††	**4**	9.2	2.8	6.1	**12**	7.9††	1.0	**		**	
Hershey Foods	18.2	**5**	17.5	0.4	12.2	**3**	15.3	4.4	13.9	**5**	15.1	**4**
Campbell Taggart	18.1	**6**	17.8	0.3	13.2	**6**	13.6	3.3	12.9	**6**	14.3	**5**
Carnation	17.6	**7**	17.6	0.2	14.4	**4**	14.2	4.9	10.7	**11**	13.2	**7**
Wm Wrigley Jr	17.1	**8**	12.7	0.0	12.2	**2**	16.4	5.1	12.8	**7**	9.1	**10**
Quaker Oats	16.4	**9**	16.4	0.2	12.3	**10**	11.6	3.8	12.6	**8**	15.3	**3**
McCormick	15.7	**10**	15.1	0.4	11.6	**9**	12.1	3.9	16.4	**2**	13.7	**6**
Gerber Products	15.4	**11**	14.9	0.2	12.8	**5**	13.8	5.2	10.8	**10**	9.3	**9**
Amstar	12.4	**12**	15.7	0.2	11.5	**11**	8.9	2.9	3.3	**15**	2.8	**13**
Knudsen	11.7	**13**	17.0	1.1	10.1	**14**	7.5	1.7	15.8	**3**	6.7	**11**
Amer Maize-Products	9.8	**14**	11.2	0.6	8.3	**13**	7.8	2.5	12.5	**9**	2.0	**14**
American Bakeries	9.2	**15**	3.3	0.8	4.2	**15**	7.0	0.4	6.5	**14**	D–P	
Stokely-Van Camp	7.6	**16**	6.1	0.4	5.3	**16**	6.1	1.6	7.4	**13**	3.1	**12**
Medians	**16.8**		**15.8**	**0.4**	**11.9**		**12.3**	**3.6**	**12.6**		**13.0**	
Industry medians	**16.2**		**15.2**	**0.4**	**11.4**		**12.0**	**3.3**	**12.3**		**12.9**	
All industry medians	**15.8**		**16.1**	**0.4**	**11.0**		**11.1**	**5.0**	**14.3**		**13.9**	

Note: Explanation of Yardsticks calculations on page 49.
††Three-year average. ‡‡Three-year growth. D-D: deficit to deficit. D-P: deficit to profit; not ranked. def: deficit.
**Not available; not ranked.

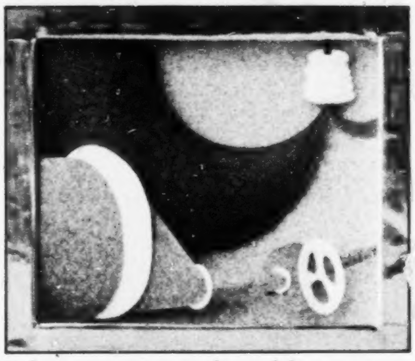
between premium-image Stouffer's [a unit of Nestlé], and Con-Agra's Banquet brand, which has a hold on the low end."

Recession increases the problem, but it does not change the industry's basic economics. "The key to success in the frozen vegetable business," says the GF ad agency man, "is to be low-priced producer of something, so that you can afford slimmer margins on other lines. Green Giant has corn. Del Monte has green beans." Even before GF sold off its wholly owned processing plants a few years ago, it had no cost advantage.

Will GF succumb to the Jolly Green Giant? At the moment, Pillsbury's Green Giant claims 56% of the frozen prepared vegetable market, with 30% belonging to GF's Birds Eye, whose founder and namesake, Clarence Birdseye, pioneered the freezing process. "I don't think that GF wants to make a go of it long term with Birds Eye," says Merrill Lynch's Maguire. "It hasn't relied on the brand for more than a very small percentage of earnings, and has chosen not to expand by acquisition or further product development."

Pillsbury, with about 20% of its earnings already from frozen foods, sees enormous market opportunities opening up. "That Green Giant acquisition," says Maguire, "was the best thing they could have done to build and embellish the important Pillsbury image in the frozen and refrigerated areas of the supermarket."—**Stanley Ginsberg**

After two winters of shortages, the gas supply is good and growing. The head of the American Gas Association says he can prove it.



Natural gas

In the two years since Congress passed the Natural Gas Policy Act the prospects of the natural gas business have altered dramatically. The NGPA came on the heels of the gas-short winters of 1976-77 and 1977-78 when many industries were forced to shut down in order to keep homeowners warm. It did away with the two-tier price structure between interstate and intrastate gas and allowed natural gas prices to rise gradually until 1985, when price controls on new supplies would be completely lifted.

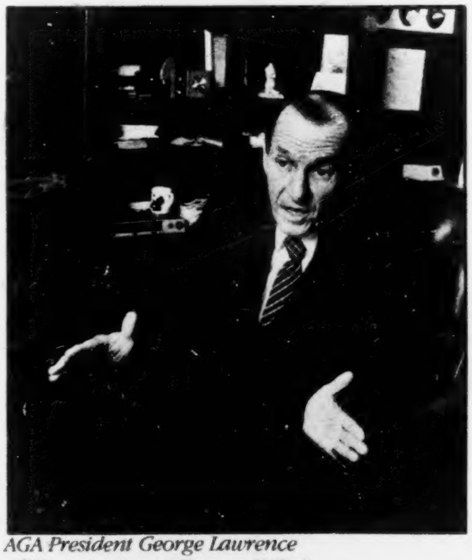
The act also mandated an incremental pricing policy that forced big industrial users, but not small commercial and residential users, to absorb the new escalating gas prices. These higher prices and uncertainty over how much gas would be available drove many industrial customers to alternative fuels. But now gas supplies are increasing so fast that the industry is trying to convince industrial users to switch back.

Is the sudden surplus of gas that's developed over the past year a temporary phenomenon—a bubble in the flow of supply—or does it suggest that U.S. industry can once again depend on gas for a major part of its future needs?

Forbes put that question to George H. Lawrence, president of the 300-member American Gas Association, which consists of producers/pipeliners and distributors. Lawrence, 55, is an Oklahoman with engineering and law degrees who previously worked for Exxon and was the natural gas coordinator of the American Petroleum Institute.

Lawrence: The so-called gas bubble is primarily a result of NGPA's removing the interstate and intrastate barriers very quickly. You always had some excess producing capacity in certain intrastate markets like Texas, but the surplus never moved to fill the demand out of state because of the extremely low price dictated by regulation. Now it has.

The second factor is conservation. We've had 13% to 15% less usage on an adjusted-for-temperature basis in the residential and commercial markets. The third and equally important factor was the extreme gas shortage. That caused us to lose a huge share of the industrial market—about 33%, or 3.2 trillion cubic feet—to alternative fuels. We've only been able to recover a third of what we lost.



AGA President George Lawrence

Will gas get us off our oil fix?

So it's really only a temporary improvement in U.S. supplies?

Not at all. We think the situation has turned around. Between 1983 and 1985 we see an improved supply capability really coming on stream—according to one AGA estimate, enough to replace about 2.3 million barrels a day of imported oil. Right now we could supply all the industrial customers we lost during the shortage. But that fact hasn't gotten through. There's still the perception of insecure supplies.

Even so, that perception is not limited to consumers. At least one gas company, Houston Natural Gas, has said it doesn't believe there will be enough gas available to make that the next big energy source. It's diversifying to cover itself. How much of a gamble is it that there will be enough gas at competitive prices to meet consumer needs?

I think it's a good gamble and one most of our member companies will be relying on. They're not going to diversify radically. I think there was an earlier tendency among doomsdayers to diversify because the future of gas looked bleak. Many companies are going into energy-related areas and particularly into exploration and production to enhance their own supply capabilities. For example, Tenneco and American Natural Resources, among others, have acquired coal reserves in anticipation of coal gasification projects.

So all the talk about how the current surplus won't last is really just talk.

Hell, there's no question about it. The supply situation is good and growing, and we can prove it. You've got all the ingredients of a permanent improvement. The industrial market is our biggest growth area. Right now we've got some real hamstrings, however.

Like what?

In theory, the incremental pricing provision of the NGPA says the price of gas will rise to the level of competing fuel oil. In practice, it's impossible to do that in 1,000 different U.S. markets. You could wind up with some arbitrary price level that puts the regional gas distributor in a position where he can be undercut by a local oil dealer. What you get is a specter of gas prices going to some new level in the near future, where they will be higher than fuel oil. As it is, the industrial user has no confidence in what the price of gas will be. He's reluctant to sign on or alienate fuel oil dealers who say, "If you switch to gas you'll be at the bottom of my list when you run out, and you've run out of gas before."

That's a pretty compelling argument. Besides that, you're shut out of utility and industrial heating markets by the 1978 Fuel Use Act.

That is a horror. The Act says that in a major fuel-burning installation—over 2.5 million cubic feet a day—you cannot use gas, period. It also says that all electric power plants have to be off gas by 1990. We're working to have several portions of the Act repealed. It was conceived at a time when there was this rather widespread perception that gas production was going to decline and that it was inevitable.

But we're still not finding enough reserves to replace the 20 trillion cubic feet of gas we use every year. Doesn't that mean if you keep on trying to expand your market you're running the risk of creating another shortage?

I don't think so. Sure, we're not finding as much gas as we take out of the ground and we haven't since 1967. But starting

Natural gas

Yardsticks of management performance

	Profitability								Growth			
	Return on equity				Return on total capital				Sales		Earnings per share	
Company	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
Producers and pipeliners												
So Natural Resources	18.4%	1	18.4%	0.6	11.7%	1	10.3%	7.4%	19.8%	4	13.7%	1
Panhandle Eastern	18.2	2	19.3	0.8	9.8	3	9.2	7.2	23.4	2	11.7	4
Transco Companies	17.6	3	20.6	1.4	7.8	7	7.1	4.6	19.7	5	12.0	2
Texas Eastern	17.5	4	21.0	0.6	10.7	6	8.9	5.2	21.6	3	11.8	3
Tenneco	17.1	5	18.8	0.7	10.6	2	9.7	5.4	17.7	7	9.0	6
Texas Gas Transmn	16.6	6	18.2	0.6	10.3	4	9.1	4.3	18.2	6	11.2	5
ENSERCH	16.0	7	21.5	0.8	11.5	5	9.0	5.3	33.5	1	7.0	7
El Paso	10.7	8	9.7	1.4	5.1	8	5.3	2.1	15.7	8	–4.6	8
Medians	**17.3**		**19.1**	**0.8**	**10.5**		**9.1**	**5.3**	**19.8**		**11.5**	
Pipeliners and distributors												
Pioneer	32.4%	1	37.3%	0.6	19.2%	2	15.9%	9.5%	28.4%	4	26.4%	3
Houston Natural Gas	27.1	2	27.1	0.4	16.0	3	15.2	8.3	31.2	3	27.5	2
United Energy Resources	26.8	3	29.2	0.3	19.2	1	17.8	3.7	32.4	2	40.0	1
Central Louisiana Engy	21.7	4	29.4	0.7	14.3	4	10.4	7.8	38.7	1	16.7	4
InterNorth	19.1	5	21.2	0.4	12.1	5	10.4	7.7	20.1	8	15.7	5
Ark Louisiana Gas	18.2	6	22.3	0.6	10.4	6	9.7	8.2	17.3	9	10.5	7
Northwest Energy	17.4	7	19.4	0.7	10.2	7	8.7	3.9	28.2	5	11.2	6
Peoples Energy	15.2	8	13.5	0.7	8.0	8	8.1	4.6	22.7	6	8.6	8
Amer Natl Resources	13.8	9	11.6	0.9	5.6	9	7.2	4.1	20.6	7	3.8	10
Columbia Gas System	12.8	10	13.8	0.8	7.5	10	6.9	4.5	17.2	10	5.1	9
Medians	**18.7**		**21.8**	**0.7**	**11.3**		**10.1**	**6.2**	**25.5**		**13.5**	
Distributors												
Entex	28.4%	1	18.7%	1.1	10.3%	1	13.9%	4.1%	36.7%	1	29.0%	1
Oklahoma Natural Gas	21.6	2	18.6	0.8	10.4	2	11.6	4.7	32.3	2	17.9	2
Southern Union	17.8	3	22.7	0.6	12.6	3	9.7	4.4	28.0	3	8.1	5
NICOR	15.7	4	15.9	0.5	8.5	5	8.3	5.8	21.2	5	8.4	4
Minnesota Gas	15.4	5	13.8	0.7	8.9	4	9.4	3.9	22.4	4	7.4	6
Consol Natural Gas	13.3	6	11.7	0.6	7.1	6	7.9	4.8	17.0	11	11.6	3
Brooklyn Union Gas	13.0	7	14.6	0.8	8.3	7	7.6	5.3	17.7	7	6.3	7
Laclede Gas	13.0	7	13.1	0.9	7.0	8	7.1	3.7	16.5	13	6.2	9
WICOR	12.1	9	9.1	0.8	**		**	2.8	17.1	8	5.7	11
Pacific Lighting	11.6	10	11.3	0.9	6.5	10	6.6	2.8	17.1	9	6.2	8
Atlanta Gas Light	11.5	11	10.8	0.7	6.1	12	6.2	2.2	17.0	10	5.9	10
Gas Service	10.8	12	8.0	0.9	5.4	11	6.3	1.7	16.4	14	3.4	14
National Fuel Gas	10.6	13	10.6	0.9	6.8	9	6.9	3.4	16.7	12	3.9	13
No Indiana Pub Svc	10.5	14	8.1	0.9	4.8	13	5.5	5.3	18.9	6	–2.4	15
Washington Gas Light	8.6	15	7.5	0.9	5.0	14	5.4	3.1	14.4	15	4.3	12
Medians	**13.0**		**11.7**	**0.8**	**7.1**		**7.4**	**3.9**	**17.1**		**6.2**	
Industry medians	**16.0**		**18.2**	**0.7**	**9.4**		**8.8**	**4.6**	**19.8**		**8.6**	
All industry medians	**15.8**		**16.1**	**0.4**	**11.0**		**11.1**	**5.0**	**14.3**		**13.9**	

Note: Explanation of Yardsticks calculations on page 49.
**Not available; not ranked.

in 1979 the picture began to change. Even though we're still taking the same amount out of the ground, the amount we added to our proven reserves was up 35%, to 14.3 trillion cubic feet, *vs.* 10.5 trillion in 1978. We began to find more gas. It's an indication of what's going to happen. Deregulation has meant an explosion of exploration and drilling in the U.S. We drilled 58,160 oil and gas wells in 1956, dropped as low as 27,250 in 1971 and last year drilled over 60,000—an alltime high.

Where are the new reserves coming from?

From all over. A 1977 AGA study showed part of our problem was that 90% of the drilling being done was in areas where 30% of the potential gas supplies were believed to exist. The price incentives weren't there to drill in high-cost zones. Until now most conventional gas production has been coming from Texas, Louisiana, Oklahoma and offshore. But as we begin to phase out controls, I think we'll be moving into the more gas-prone areas like the Overthrust Belt in the Rocky Mountains. The incentives are there now to do deep drilling below 15,000 feet. We think the Overthrust Belt discoveries made so far are truly dramatic even though they aren't yet reflected in reserve figures because they haven't been fully developed to confirm the reserves.

Could the Overthrust Belt make a really significant impact on the U.S.' 195 trillion cubic feet of proven reserves?

I've heard estimates up to 400 trillion cubic feet. That seems foolish. But the Colorado School of Mines says the Rockies have at least 100 trillion cubic feet over and above any proven reserves. I'd say that's conservative.

How do the election and the shifting political mood in Washington affect the outlook for gas legislation?

We might have eliminated both incremental pricing and the Fuel Use Act under Carter, but under Reagan the prospects look even better. On the other hand, we're very concerned about Reagan's proposed dismantling of government energy programs and how that might affect the development of synfuels—particularly coal gasification. I think our energy policy is moving in a sensible direction of greater domestic capability with less reliance on imported oil. Combine that with a Republican Senate and a more conservative House, and I think you have a more production-conscious body, not one that's going to be punitive to our industry.

There are indications that the Reagan Administration will push for deregulation before 1985. Would you support that?

I think deregulation before 1985 would be viewed on Capitol Hill as too traumatic. What would make sense would be to look at certain selected areas like the NGPA's deregulation of the extremely tight sands of the Appalachian Devonian shale area. Or you could deregulate offshore drilling in water over 500 feet deep. That could add up to more supply right away. Also, we've seen good examples of where deregulating drilling below 15,000 feet has been a good step. You could make the case for another drilling zone—say 12,000 feet instead of 15,000 feet—and deregulate that sooner.

Won't opposition to full deregulation grow more intense the longer you wait?

I think we'll be able to make the case that a restoration of controls wouldn't make sense. Remember, a lot of this exploratory drilling increase has taken place not just because prices are going up with the phaseout of controls. There's the growing prospect of full deregulation. That's the light at the end of the tunnel. I don't think you want to take that away.

With full deregulation, are gas prices likely to go so high that it might be cheaper to use oil?

The good news is that gas supplies are improving. The bad news is that the price is going up as it is for all forms of energy. Our projections are that between now and 1990, with inflation, the total increase in gas prices will be in the range of 13% to 14% a year. We say the real comparison ought to be with whatever is the logical energy alternative, and it looks like fuel-oil prices will be 60% higher than gas. Gas still looks to be the economically preferable choice, especially, in the case of fuel oil, if it gets us off imported oil.

In short, it shouldn't matter whether it's cheaper than oil or not. It's available and it's ours.—**Tedd A. Cohen**

What's a homeowner to do?

Converting to gas in Brooklyn, N.Y.
The line is going to get longer.

"With a wife and three young kids my budget really didn't allow for converting to gas heat," says one 36-year-old New Jerseyite who recently spent $1,750 to do so, "but I thought the answer was clear."

"Hell, no," says a 66-year-old retired Connecticut homeowner who heats his house with oil and is busily insulating his attic. "I'd rather freeze than spend that kind of money on a gamble."

To convert or not to convert, that is the burning question, especially in the Northeast, where oil supplies perhaps half of the home heating market, and especially since 40% of that oil is imported. But the choice isn't a simple one.

Since 1977 the price of home fuel oil has more than doubled, and nationally, on average, oil now costs about twice as much as natural gas. Although there was a severe gas shortage a couple of winters ago, it affected industrial not residential customers. Gas is now plentiful, and the gas industry, led by the American Gas Association, is waging a full-scale war for the market against fuel-oil dealers, led by the National Oil Jobbers Council. The battles so far have been won by the gas side. Over the past two years about 750,000 homeowners made the switch to gas, and the industry now holds 55% of that 79-million-home heating market, *vs.* 20% for the oil dealers. The gas supply is there and growing, says the AGA, and keeps us free from OPEC.

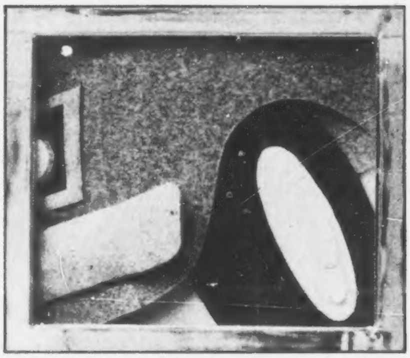
"Foul," cry the oil distributors. Although it may be cheaper to use gas now, they say, how long will its price advantage last? The incoming Reagan Administration says it will push for complete decontrol of gas prices before 1985, and if it happens, argue the jobbers, gas won't be significantly cheaper than oil. Also, gas prices are bound to rise as more expensive exploration in hard-to-reach drilling areas increases.

Listening to outside experts is just as confusing. The independent Consumer Energy Council of America says oil users would get more for their money by investing in better insulation rather than converting to gas. Although the CECA didn't endorse oil in favor of gas heat, the Environmental Protection Agency has supported conversion to gas, saying that high-efficiency gas burners are more economical. Now, oil marketers counter with data showing that oil burners on average are 16% more fuel efficient.

This much is clear: No matter what you use to heat your home, it won't be cheap. And whether gas has an edge or not, so long as the chances look good for a U.S.-based supply of gas, the line for gas conversion will get longer.—T.A.C.

For the truckers, the recession is the industry's number one problem. But deregulation promises to make some painful changes.

Truckers and shippers



LAST YEAR, over the bitter opposition of most of the operators, deregulation at last came to the trucking industry. During the days when Congress was considering its program, the American Trucking Association—representative of some 17,000 truckers and 51 state associations—painted some especially apocalyptic visions of what would transpire if deregulation should ever come about: rate wars on a cataclysmic scale, widespread bankruptcies, collapse in service, especially in some of the nation's remote areas. As the first year of deregulation got under way, the industry was headed for trouble. There were none of the booming upsurges in traffic and buoyant profits that greeted the airlines when they were deregulated. Instead, the truckers were faced with sagging traffic volumes, falling profits, and one of the worst recessions the trucking industry had experienced within memory. For an assessment of the trucking industry and its prospects, FORBES dropped in on Edward Kiley. Kiley is a major formulator of the ATA's deregulation strategy.

So what ever happened, FORBES asked, to all those price wars the ATA was predicting a while back? The carriers are free now to raise or lower their rates by 10% in a given year without having to get the Interstate Commerce Commission's okay.

Some carriers have already reduced their rates by 10% *[see box]*. Others have held back because they don't see how they're going to make it with their rising costs. I'd watch to see how far this rate-cutting continues and whether these carriers can cut their rates with this recession-slowed traffic and still make profits. It costs a certain amount to move traffic, and no trucker can charge less than that and stay in business for long.

But the real problem so far hasn't been price wars but recession.

Well, I think in the future many carriers will probably suffer these competitive rate wars, the most vulnerable being the small irregular-route truck carriers without much financial backing. But for now the problem is still rising costs. Unless costs go down, and there is no indication of this, equipment is going up, labor is going up and the cost of fuel will continue to go up. So I think there will be a squeeze on profits. But as inflation settles down, profits might go back to normal.

Thanks to the recession and the present decline in truck traffic, the industry ought to be able to take a tougher stance with labor than it did last time, when it caved in with 12% annual pay gains.

Certainly if revenues and profits are down, it's going to be a different bargaining process than if they were up. If the carriers are being squeezed, they will bargain harder.

At the same time, isn't it true that deregulation ought to make the Teamsters somewhat less powerful than they used to be?

There may be more nonunion truckers under deregulation. Everyone has guessed that if there's easier entry into the market, there will be more applications from individuals who want to operate new truck lines, resulting in more new independent owner-operators. Independents have no reason to join a union. Thus, as more traffic goes to the independents, it will affect union membership.

The truckers will have a lot more flexibility in setting rates and competing for business than they used to, but you don't really think that is going to bring a lot of new traffic that will offset the impact of those lower rates on their profits?

The total volume of traffic is the result of the level of economic activity, not the level of rates. Unlike airlines, we can't get more customers by reducing fares.

Fighting for survival?

"New freedom? That's rubbish," snorts Arthur Imperatore, president of North Bergen, N.J.'s APA Transport Corp., about the deregulation that allows truckers to raise or lower their rates 10% without government monitoring. Slashing rates and shaving profit margins, he says, may be good for the customers in the short term but not for the carriers. Eventually the customers will be hurt too, because as carriers go under, the victims of price wars, there will be less competition and prices will rise again. Imperatore says the only reason his APA Transport took what he calls the "treacherous" step of reducing rates 10% on aggregate shipments in excess of 5,000 pounds was that competitors like Overnite Transport had done it already.

APA is a regional trucker serving 10,000 customers in New Jersey, New York, Pennsylvania, Rhode Island, Massachusetts, New Hampshire and Connecticut. In an industry where operating profit margins average 4%, APA did 21% on the $64 million in revenues in 1979. For the first nine months of last year, APA's revenues dropped to $57 million, and its margin narrowed to 17.5%.

Such a margin would look pretty good to Chrysler or U.S. Steel, but not to Arthur Imperatore. APA's rate cuts didn't help, but these affected only a small portion of its revenues. The recession was primarily responsible for APA's falling volume and profits. The labor costs are high—about 65 cents on every dollar—and fuel prices continue to climb. Even at that, Imperatore does pretty well because he runs an efficient company. Others aren't so lucky.

"The industry is at a breakeven point. Volume is off, we're in the deepest decline in 33 years. There's a certain degree of panic among carriers. Under those very grave conditions there's the pressure and leverage of reduced rates pitting carriers against each other, fighting for survival," he says. "It's a myth that carriers set rates at any level they damn please. That's impossible in a situation of enormous capacity chasing declining tonnage."

As long as rate-slashing continues, not even the most efficiently run company can preserve its profits, says Imperatore. "We're not invulnerable. Successful companies like ours are marginal at best. It's difficult to survive."—B.B.

American Trucking Association's Edward Kiley
If truckers are squeezed, they'll bargain harder with labor.

Which is why those rate wars you keep forecasting could be so destructive. It's that old zero sum game where nobody makes any gains except at somebody else's expense.

That's right. As the competitive pressures mount and rate reductions are made, the bigger companies will perform better, since they have the financing available to withstand the rate competition. They can achieve economies of scale better than the smaller truckers. Usually the bigger companies have more efficient managements, too. Because they can't compete with the lower rates of the bigger truckers, the smaller truckers will either be forced to stop competing in certain markets, or they will be absorbed by large companies or go out of business.

So the big carriers—public companies most of them—are likely to be the big gainers from deregulating. Do you expect the distinction between carriers to break down, too? Would you expect a contract carrier like Leaseway Transportation to become a common carrier or Consolidated Freightways to become a contract carrier?

There's no question that the big general-freight regular-route carrier will probably become an irregular route truckload carrier as well and a contract carrier, too. There will be more special rates offered shippers as a result of the new dual operations. A shipper will be able to get a different rate because the carrier can now be a contract carrier—in contract with him, dedicating equipment, giving special service.

And that holds for agricultural and other exempt commodities, which regulated truckers haven't been able to handle in the past?

The bill provides that the commodity restrictions be lifted. So you will probably find more carriers carrying more commodities than they carry today.

It's going to change the way the game is played pretty drastically.

Big shippers may be getting lower rates on truckload traffic because their business is so valuable to the truckers. But small less-than-truckload shippers will probably pay more for service as operators raise their rates to compensate for price-cutting in truckload freight. The new act also improves the opportunities for the private carrier. Before, he couldn't haul for subsidiary corporations, only the parent corporation could haul. General Mills, for example, has a fleet of trucks that hauls basically freight for General Mills, that's their primary business, cereal manufacturing and grain. General Mills also owns a lot of subsidiaries: Eddie Bauer (sports shops), Red Lobster Inn, Parker Brothers (games). They can now haul for all these subsidiaries. That means, of course, a loss of traffic to the common carrier he was using before.

Will you be taking money away from the railroads?

What the trucking industry has grown on over the years has been with traffic the railroads don't want—serving points they don't want to serve. They gave it up. We merely want to do what we're doing more efficiently.—**Beth Brophy**

Truckers and shippers

Yardsticks of management performance

	Profitability								**Growth**			
	Return on equity			**Return on total capital**					**Sales**		**Earnings per share**	
Company	**5-year average**	**5-year rank**	**latest 12 months**	**debt/ equity ratio**	**latest 12 months**	**5-year rank**	**5-year average**	**net profit margin**	**5-year average**	**5-year rank**	**5-year average**	**5-year rank**
Truckers												
RLC	30.8%	1	23.0%	1.7	10.0%	4	10.8%	6.3%	10.4%	8	210.4%	1
Leaseway Transportation	24.0	2	20.9	1.5	9.7	5	10.6	4.6	13.7	6	15.5	4
Ryder System	22.4	3	17.5	1.6	7.1	7	9.4	3.4	20.0	1	38.9	2
Consol Freightways	22.4	4	13.2	0.3	9.9	2	17.6	2.7	16.0	4	20.1	3
Roadway Express	22.3	5	21.3	0.0	20.0	1	21.1	5.9	16.7	3	14.9	5
Yellow Freight System	19.0	6	9.0	0.3	5.9	3	13.6	2.4	17.3	2	9.4	6
McLean Trucking	12.5	7	def	1.0	0.5	6	9.6	def	15.8	5	1.6	8
Allied Van Lines	9.2	8	11.6	0.7	8.8	8	7.3	0.4	12.1	7	3.1	7
Medians	**22.4**		**15.4**	**0.9**	**9.3**		**10.7**	**3.1**	**15.9**		**15.2**	
Other surface transportation												
Natomas	25.6%	1	29.7%	0.6	20.1%	1	16.8%	15.5%	40.1%	2	31.4%	2
Gelco	25.1	2	32.9	4.5	10.5	6	7.2	5.7	60.0	1	34.9	1
Transway Intl	18.2	3	11.5	0.2	9.7	2	14.6	2.5	9.7	6	10.7	4
Moore McCormack Res	17.3	4	18.0	0.9	9.2	5	9.2	7.4	20.0	3	21.4	3
Greyhound	13.2	5	15.8	0.5	11.6	3	9.6	2.6	5.8	7	4.5	6
Alexander & Baldwin	12.5	6	23.1	0.6	14.6	4	9.4	14.5	9.7	5	4.7	5
Seatrain Lines	def	7	def	NE	def	7	2.4	def	18.2	4	D–D	7
Medians	**17.3**		**18.0**	**0.6**	**10.5**		**9.4**	**5.7**	**18.2**		**10.7**	
Industry medians	**19.0**		**17.5**	**0.7**	**9.7**		**9.6**	**3.4**	**16.0**		**14.9**	
All industry medians	**15.8**		**16.1**	**0.4**	**11.0**		**11.1**	**5.0**	**14.3**		**13.9**	

Note: Explanation of Yardsticks calculations on page 49.
D-D: deficit to deficit. def: deficit. NE: negative equity.

In beer and soft drinks, most of the market that's still available is somebody else's.

Beverages

THE TROUBLE WITH mature industries is that competition is pretty much the old zero-sum game. Company A can expect to make any substantial gains only at the expense of company B, and that's exactly what has been going on in the beverage industry for some years now: an allout war for market share among the industry leaders, with strong challenges from second-tier producers. In carbonated soft drinks it's Coke and Pepsi—again—with backfield challenges from a hungry Philip Morris (7UP) and the field's newest entrant, Procter & Gamble (Crush). In beer, beleaguered Philip Morris is continuing its second-place onslaught against Anheuser-Busch. Meanwhile, G. Heileman and a resurgent Adolph Coors are scoring points against weak sisters Pabst, Schlitz and Olympia.

The problems are the same for both soda pop and beer: Carbonated soft-drink volume, which grew at better than 7% a year in the Sixties and Seventies, is likely to slow to 4% or less during the coming decade. Beer consumption, meanwhile, settled down to a modest 3% annual growth rate.

Inflation and recession have only made things worse. Precipitous increases in the cost of fuel, labor, packaging and raw materials—sugar has nearly trebled in price during the past 12 months—have cut into margins. Although some of the slack has been taken up by price increases, the limits are quickly approaching: Beer and soft-drink consumers are increasingly price-sensitive impulse buyers.

So marketing makes all the difference. Last year Pepsi spent about $90 million on advertising while Coke's ad budget approached $103 million. And a wave of discounting and feature pricing moved the battle on to the supermarket shelves. While Coca-Cola's dollar sales increased by over 18% last year, its profits were flat. Pepsi, on the other hand, not only showed a 12% profits rise on a sales jump of over 15% but also succeeded, at least for a while, in snatching away from Coke first place in supermarket sales, though Coke still dominated the market overall—with around 35% to Pepsi's 25%.

The losers, of course, are the smaller players. Royal Crown, a distant third in the cola market, watched profits drop 13% on a 4% sales increase. "We just cannot afford to promote the way the competition does," admits a glum Royal Crown official. Philip Morris, meanwhile, saw Seven-Up's market share shrink from 5.6% to 5.4%—that's a swing of $25 million in sales. Procter & Gamble, the big new force in the business, is not talking.

Bottlers are worried too: The shift to high-fructose corn sweeteners has taken some strain off margins, but undersupply—combined with a doubling of prices last year—has severely limited the relief. Likewise, the shift to two-liter plastic bottles has reduced packaging costs, but at the expense of sales. "The size is heavy and bulky," says Lehman Brothers analyst John Maxwell Jr. "As a result, people seem to be buying only

Beverages

Yardsticks of management performance

	Profitability								**Growth**			
	Return on equity				**Return on total capital**				**Sales**		**Earnings per share**	
Company	**5-year average**	**5-year rank**	**latest 12 months**	**debt/ equity ratio**	**latest 12 months**	**5-year rank**	**5-year average**	**net profit margin**	**5-year average**	**5-year rank**	**5-year average**	**5-year rank**
G Heileman Brewing	30.2%	1	33.7%	0.3	23.9%	2	22.3%	4.8%	26.2%	1	30.3%	1
Coca-Cola	23.6	2	21.6	0.0	20.2	1	22.3	7.4	14.1	4	11.9	4
PepsiCo	21.9	3	22.1	0.5	15.3	3	16.0	4.9	19.6	2	16.5	2
Brown-Forman Dist	16.8	4	23.9	0.4	17.1	5	13.0	8.2	11.7	7	16.2	3
Heublein	16.2	5	16.8	0.5	12.0	7	11.7	4.1	9.7	9	9.3	9
Anheuser-Busch Cos	15.6	6	18.1	0.5	11.5	9	10.0	5.2	13.7	5	9.3	8
Royal Crown Cos	15.0	7	12.5	0.6	9.3	4	13.0	2.9	13.6	6	3.4	11
National Distillers	12.9	8	10.5	0.3	8.4	8	10.2	5.0	8.2	11	10.8	5
Adolph Coors	12.8	9	10.8	0.0	10.0	6	12.1	8.2	11.5	8	7.9	10
Seagram	10.8	10	11.8	0.4	9.8	10	8.4	5.7	6.3	12	10.3	6
Olympia Brewing	8.5	11	4.3	0.2	4.1	11	7.4	0.8	17.1	3	10.1	7
Pabst Brewing	6.8	12	4.1	0.1	3.7	12	6.2	1.3	8.4	10	–4.3	12
Jos Schlitz Brewing	0.7	13	def	0.3	def	13	1.4	def	5.4	13	–44.4	13
Industry medians	**15.0**		**12.5**	**0.3**	**10.0**		**11.7**	**4.9**	**11.7**		**10.1**	
All industry medians	**15.8**		**16.1**	**0.4**	**11.0**		**11.1**	**5.0**	**14.3**		**13.9**	

Note: Explanation of Yardsticks calculations on page 49.
def: deficit.

A supermarket display for Miller beer

The rewards of market share are too big to ignore.

one at a time." And sales of the higher-margin sugar-free products—Tab, Diet Pepsi and the like—while growing at a significant rate, are nonetheless being held down by consumer concern with FDA reports linking saccharin with cancer.

If there is any difference in the beer market, it is that the pecking order seems to be a lot clearer. Despite Philip Morris' success with Miller, Anheuser-Busch has retained its solid hold on first place, accounting for 28.4% of all domestic beer sales, according to John Maxwell. "We're in the middle of a $2 billion capital expansion program," says an A-B officer, "virtually all of it devoted to increasing capacity." Miller, meanwhile, has been chastened by the test-market failure of two beers—Clipper and Players—and the disappointing performance of domestic Lowenbrau. An attempt at raising prices last spring also fizzled when Anheuser-Busch refused to follow suit.

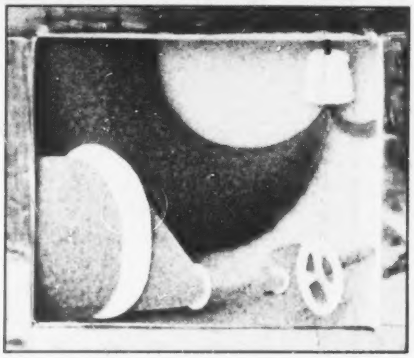
At the bottom end, there may be cause for cautious optimism. After years of agony, Schlitz' continuing sales decline appears to be slowing, although the brewer has relinquished its number three spot to Milwaukee neighbor Pabst, and was forced to sell off its 5.4-million-barrel Syracuse, N.Y. brewery to Anheuser.

Meanwhile, there is still money to be made in the middle, where the regional brewers have been able to carve markets out of holes in the national brewers' distribution networks. Heileman continues to be the leader in growth and profitability, with an impressive 25% earnings gain on a sales jump of over 20%. Adolph Coors, the Colorado brewer, has recovered some western market share lost during its *Drang nach Osten*. Last year, sales were up 12% and earnings gained almost 8%.

The biggest question continues to be pricing. "It boils down to this," comments Smith Barney's Joseph Doyle. "Will the industry establish healthy prices that allow for better profit margins and bigger returns on capital, or will it revert to its past practice of putting market share gains ahead of financial and pricing considerations?"

One thing is clear: The industry is unlikely to abandon its preoccupation with market share any time soon. The rewards are simply too great. After all, Coca-Cola's commanding position in the market has played no small role in its long-term success. More to the point: In moving Miller from seventh place in the beer business, with under 5% of the market, to second place with over 20%, Philip Morris transformed a ho-hum midwestern brewer into one of the industry's biggest moneymakers.—**Stanley Ginsberg**

For the utilities, the overriding question is: Can they afford to finance the growth that lies ahead of them in the Nineties?



Electric utilities

FOR DECADES DUKE POWER OF CHARLOTTE, N.C. was one of the U.S.' leading proponents of cheap electric power. Every year the company built more generating capacity and sold more power at lower cost and higher profits. But now things have changed. Duke still sells more power than ever before, but the costs are higher and the profits lower. The company has put on the brakes. Now, it is selling conservation instead. Says Duke's CEO, Carl Horn Jr. "It used to cost less per kilowatt to build each year. That turned around in 1970."

It took Duke a while to realize what was happening. Demand was still growing at about 7% a year. By the early Seventies inflation and the high cost of money had begun catching up with it. Every new kilowatt of capacity cost roughly double what existing capacity had cost. To meet demand Duke would have had to triple its assets in ten years. The company was already sinking in debt, costs were rising and the delay in rate adjustments that had once helped earnings was now depressing them.

In August 1974 the company finally faced the fact that the world had changed. Duke Power simply could not afford to go on growing. Says Horn, waving a lighted cigarette at the massive boardroom table, "The concept of load management [an effort to reduce peaks in demand] was born right here. We simply had to do something to reduce demand."

The strategy worked. Since then the growth in Duke's Sunbelt region has dropped from an average of 10% a year in the Sixties to 4.2% today, and the company plans to keep it at or below that level through the mid-Nineties. The utility is spending $10 million a year to sell customers on conservation, persuading them to install home insulation and use time-of-day rates. It will spend another $14 million a year by 1985 to install load management equipment, which helps conserve electricity during peak periods. By 1994 that $340 million investment will cut Duke's prospective capacity needs by some 24% and save about $10.4 billion in construction bills.

Duke cannot stop building altogether. "We just want to keep our expansion at the very minimum," says Horn. Duke has about $3.6 billion worth of capacity under construction and slated for operation in or before 1986—an overall 39% expansion in capacity. But it managed to finance that only by selling nearly half the new capacity to publicly owned rural and municipal customers in North and South Carolina who are expected to pay an estimated $1.8 billion. "The day existed when we wouldn't have done this on principle," says Horn. "But when survival becomes the issue, philosophy goes out the window." Duke shouldn't need outside financing until 1982.

The financial problems that faced Duke in 1974 now haunt the whole electric utility industry. Construction costs—pegged at over $55 billion for the next two years by Paine Webber analyst Charles Benore—have clearly gotten out of hand, and most companies are already heavily overburdened with high-interest debt. In struggling to complete unaffordable construction programs, companies must borrow long-term money at rates of 15% and above, and have had to raise capital by issuing new stock at an average 25%-to-30% discount to book value. It's a situation that clearly cannot go on forever.

In the circumstances, the abrupt slackening in electric power demand has come to seem like a blessing in disguise. A 7% growth rate required doubling capacity every 10 years. A 3% rate requires doubling only every 24 years.

But the electric utilities still have big problems. When there's a 10-year gap between the inception and completion of a project, companies must predict their growth rates 10-to-15 years in advance—well beyond the 5-year planning cycle most companies consider realistic. And what if they are wrong? What if the industry resumes its historic 7% pattern?

In fact, the industry is still suffering the effects of planning mistakes it made in the early Seventies when many companies started major construction programs in anticipation of a 7% growth that never materialized. The results were top-heavy debt structures and sagging earnings and rates of return. The industry had an average 31% reserve margin during peak periods last year—well above the 20% safety cushion required—and it's not going to work that off for years. Most analysts look for only 3% growth in demand. At that rate, utilities should still have a reserve margin of well over 30% by 1989, provided current construction timetables are met, says Goldman, Sachs' Ernest Liu. At higher rates of growth, there would still be ample reserves at the end of the decade, he says.

Electric utilities

Yardsticks of management performance

	Profitability								Growth			
	Return on equity			Return on total capital					Sales		Earnings per share	
Company	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
Northeast												
New England G & E	13.8%	**1**	14.7%	0.7	7.0%	**2**	6.9%	5.5%	12.5%	**10**	7.4%	**2**
Long Island Lighting	13.4	**2**	12.9	0.8	7.8	**1**	7.5	15.7	14.2	**2**	3.0	**7**
New England Electric	12.5	**3**	12.7	0.9	6.4	**10**	6.2	7.1	11.4	**12**	5.4	**3**
N Y State Elec & Gas	12.4	**4**	13.1	1.0	7.1	**3**	6.9	14.3	14.2	**1**	4.5	**4**
Pa Power & Light	12.3	**5**	10.6	0.8	6.0	**4**	6.8	20.6	13.8	**4**	2.6	**8**
Consolidated Edison	11.6	**6**	11.2	0.8	6.5	**6**	6.4	9.0	10.7	**13**	11.1	**1**
Pub Svc Elec & Gas	11.6	**7**	11.8	0.8	6.3	**9**	6.3	9.5	13.5	**6**	3.5	**6**
Delmarva Power & Lt	11.3	**8**	11.3	1.0	6.3	**5**	6.5	10.8	13.6	**5**	0.6	**10**
Niagara Mohawk Power	10.8	**9**	10.4	0.9	6.1	**8**	6.3	8.9	13.1	**7**	1.4	**9**
Rochester Gas & Elec	10.8	**10**	10.1	0.8	6.4	**7**	6.4	9.1	11.8	**11**	4.0	**5**
Northeast Utilities	9.9	**11**	8.9	1.2	5.3	**11**	5.7	6.4	10.5	**14**	–1.9	**13**
Phila Electric	9.9	**12**	10.3	1.0	5.8	**12**	5.6	10.7	12.8	**8**	–0.8	**12**
Boston Edison	9.7	**13**	11.8	0.9	5.6	**14**	5.3	7.5	12.8	**9**	–0.3	**11**
General Public Utils	8.4	**14**	2.4	1.0	3.4	**13**	5.4	1.9	14.2	**2**	–3.3	**14**
Medians	**11.5**		**11.3**	**0.9**	**6.3**		**6.4**	**9.1**	**13.0**		**2.8**	
Midwest												
Public Service Indiana	15.1%	**1**	13.9%	0.7	7.0%	**1**	7.4%	19.7%	16.9%	**7**	8.2%	**1**
Indianapolis Pwr & Lt	14.5	**2**	16.1	0.8	7.7	**4**	6.9	17.1	15.4	**12**	5.0	**6**
Wisconsin Public Svc	13.6	**3**	13.2	0.6	6.7	**2**	7.2	8.3	16.7	**8**	7.6	**2**
Kansas Power & Light	13.0	**4**	14.0	0.7	7.1	**5**	6.8	13.1	18.4	**2**	4.3	**7**
Cleveland Elec Illum	12.8	**5**	10.9	0.8	6.4	**3**	7.0	13.7	13.9	**20**	2.1	**11**
Cincinnati G & E	12.7	**6**	11.3	1.1	6.4	**7**	6.8	9.5	15.1	**13**	3.0	**10**
Illinois Power	12.7	**7**	13.3	0.9	6.8	**10**	6.6	12.9	16.4	**9**	1.8	**12**
No States Power	12.6	**8**	10.9	0.7	5.6	**15**	6.3	9.3	13.8	**21**	3.3	**9**
Wisconsin Pwr & Lt	12.6	**9**	13.1	0.7	6.7	**6**	6.8	8.8	17.0	**6**	5.3	**5**
Union Electric	12.3	**10**	14.3	0.9	6.7	**12**	6.4	14.9	14.9	**15**	4.3	**8**
Wisconsin Elec Power	12.1	**11**	11.5	0.7	6.1	**8**	6.7	8.5	13.8	**22**	6.8	**3**
Central Ill Pub Svc	12.1	**12**	12.0	1.0	6.7	**13**	6.4	10.8	17.7	**5**	0.6	**15**
Consumers Power	11.8	**13**	9.8	0.8	5.5	**18**	6.0	9.1	14.5	**18**	6.2	**4**
Toledo Edison	11.7	**14**	10.5	1.0	6.4	**9**	6.6	16.5	18.2	**3**	–1.5	**19**
American Elec Power	11.5	**15**	11.5	1.1	6.9	**11**	6.5	9.6	18.1	**4**	–0.7	**17**
Allegheny Power	11.2	**16**	10.8	1.0	5.9	**16**	6.1	7.9	15.7	**10**	0.4	**16**
Ohio Edison	10.8	**17**	9.6	1.0	5.7	**16**	6.1	12.7	15.4	**11**	–1.8	**22**
Dayton Power & Light	10.4	**18**	10.4	1.0	6.0	**14**	6.4	10.1	14.5	**17**	–1.7	**20**
Central Illinois Lt	10.3	**19**	10.5	0.8	5.4	**21**	5.5	8.0	19.2	**1**	–1.7	**21**
Kansas City Pwr & Lt	10.3	**20**	13.2	1.0	6.1	**23**	5.4	14.8	15.1	**14**	0.7	**14**
Commonwealth Edison	9.9	**21**	8.7	1.0	5.2	**20**	5.6	10.5	13.4	**23**	–0.8	**18**
Duquesne Light	9.6	**22**	10.6	0.9	5.9	**19**	5.6	13.6	14.8	**16**	–5.4	**23**
Detroit Edison	9.6	**23**	8.9	1.0	5.3	**22**	5.4	10.1	14.2	**19**	0.8	**13**
Medians	**12.1**		**11.3**	**0.9**	**6.4**		**6.4**	**10.5**	**15.4**		**1.8**	

Note: Explanation of Yardsticks calculations on page 49.

Given the costs of carrying all that unused capacity, it's no wonder he says, "The electrical utility industry's long-term fundamentals continue to be unfavorable."

But because of long lead times involved in new plant construction, executives are already planning for 1990 and beyond, when these excess reserve margins may be exhausted, and are wondering how they're going to finance their future.

Largely in the interest of financial health, not a few companies have taken tacks similar to Duke Power's. Southern California Edison has reduced growth projections to under 3% a year for the Eighties via conservation and load management. By 1990, it plans to be meeting almost one-third of its new demand with alternate energy sources such as wind power, geothermal, fuel cells and cogeneration (industrial generation from excess steam). New England Electric System has similar ideas. And last November, Virginia Electric dropped a nuclear unit in favor of load management.

These companies have their critics. At peak periods in 1989, Duke Power will have only 10% reserve margins, or about half what the industry considers prudent. That's *if* the plan to keep growth down works. If it doesn't, says Donaldson, Lufkin & Jenrette's Ed Gaylor, "they will be power short." Duke counters that it can build small facilities quickly, or buy power from its neighbors in a pinch. The others, too, think the risks are supportable. Besides, they say, there are no alternatives.

"The conservation ethic certainly has its place," says Willis S. (Pete) White Jr., head of American Electric Power, one of the U.S.' best-run and most efficient companies. "But if the economy is going to grow (in real terms), no one would dispute that it's going to take more energy." Conservation without construction, he feels, could lead to long-feared brownouts and that could affect the economy, employment and the industry's ability to produce. Design your own apocalypse.

AEP does have conservation and load-management programs. It even has an innovative technology of its own for home heating. But, says AEP's chief system planner, Gregory S. Vassell, flatly, "I think *most* conservation has already taken place. We are certainly for it, but we aren't going to jump to any conclusions before all the facts are in." White and Vassell therefore plan to build. In this decade alone, AEP will spend at

Electric utilities

Yardsticks of management performance

	Profitability								**Growth**			
	Return on equity			Return on total capital					Sales		Earnings per share	
Company	5-year average	5-year rank	latest 12 months	debt/equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
Southeast												
Tampa Electric	14.1%	**1**	15.4%	0.8	6.9%	**4**	6.4%	9.4%	19.2%	**2**	7.9%	**2**
Duke Power	13.0	**2**	13.9	0.8	7.2	**1**	6.8	18.5	15.8	**10**	8.6	**1**
Florida Power	12.6	**3**	10.7	0.7	5.7	**8**	6.1	8.0	19.3	**1**	4.7	**4**
Florida Power & Lt	12.6	**3**	12.8	0.8	6.2	**5**	6.3	9.6	16.8	**7**	5.9	**3**
Middle South Utils	12.0	**5**	11.0	1.3	5.9	**9**	6.1	8.5	18.7	**4**	1.9	**9**
So Carolina E & G	12.0	**6**	11.5	1.0	5.7	**7**	6.1	10.3	16.4	**8**	2.8	**7**
Carolina Pwr & Lt	11.8	**7**	9.4	0.9	5.3	**6**	6.2	13.6	17.2	**6**	2.8	**6**
Potomac Elec Power	11.5	**8**	12.7	1.0	6.9	**2**	6.6	12.5	14.5	**12**	4.3	**5**
Baltimore Gas & Elec	11.4	**9**	11.4	0.9	6.4	**3**	6.6	11.3	12.7	**13**	2.7	**8**
Louisville Gas & Elec	10.5	**10**	11.0	0.8	5.8	**11**	5.9	8.9	14.7	**11**	–0.3	**10**
Southern Company	10.5	**11**	13.2	1.1	5.8	**13**	5.3	9.4	17.4	**5**	–1.2	**11**
Va Electric & Power	9.7	**12**	9.0	1.0	5.7	**10**	5.9	10.1	19.0	**3**	–1.6	**12**
Kentucky Utilities	8.8	**13**	6.7	0.8	4.9	**12**	5.3	7.3	16.0	**9**	–3.1	**13**
Medians	**11.8**		**11.4**	**0.9**	**5.8**		**6.1**	**9.6**	**16.8**		**2.8**	
Southwest												
Southwestern Pub Svc	18.9%	**1**	15.7%	1.0	7.0%	**1**	8.0%	10.1%	22.8%	**2**	8.2%	**2**
Houston Industries	14.5	**2**	13.9	0.9	7.1	**2**	7.7	8.0	27.3	**1**	8.5	**1**
Central & South West	14.1	**3**	13.9	0.7	6.9	**5**	7.1	10.4	19.6	**4**	4.9	**4**
Arizona Public Service	13.5	**4**	12.7	1.0	7.3	**3**	7.5	18.5	18.9	**7**	4.4	**5**
Texas Utilities	13.2	**5**	14.2	0.9	7.6	**4**	7.3	12.9	19.2	**6**	5.0	**3**
Gulf States Utils	12.1	**6**	14.8	1.0	7.1	**6**	6.0	12.3	19.6	**5**	2.2	**6**
Oklahoma Gas & Elec	10.9	**7**	9.5	0.8	5.4	**7**	5.9	8.6	20.5	**3**	–1.2	**7**
Medians	**13.5**		**13.9**	**0.9**	**7.1**		**7.3**	**10.4**	**19.6**		**4.9**	
West												
Southern Calif Edison	12.0%	**1**	11.6%	0.9	6.9%	**3**	6.9%	10.0%	15.3%	**8**	5.7%	**1**
Pacific Pwr & Lt	11.9	**2**	10.4	1.3	5.9	**5**	6.6	11.8	22.2	**2**	2.0	**2**
Pacific Gas & Elec	11.3	**3**	11.8	0.8	7.4	**2**	7.0	10.0	18.7	**6**	1.8	**3**
Utah Power & Light	11.2	**4**	11.2	0.9	6.8	**4**	6.8	15.9	23.9	**1**	1.8	**3**
San Diego Gas & Elec	11.1	**5**	6.2	0.9	5.5	**1**	7.0	5.9	20.6	**4**	1.8	**3**
Montana Power	10.2	**6**	10.5	0.9	6.4	**6**	6.3	8.7	21.4	**3**	–1.8	**6**
Public Service Colo	9.6	**7**	10.4	1.0	6.1	**8**	5.6	6.8	18.8	**5**	–3.2	**7**
Portland Genl Elec	7.8	**8**	7.1	1.1	5.0	**7**	5.6	12.7	18.7	**7**	–8.2	**8**
Medians	**11.2**		**10.5**	**0.9**	**6.3**		**6.7**	**10.0**	**19.7**		**1.8**	
Industry medians	**11.8**		**11.3**	**0.9**	**6.3**		**6.4**	**10.1**	**15.8**		**2.2**	
All industry medians	**15.8**		**16.1**	**0.4**	**11.0**		**11.1**	**5.0**	**14.3**		**13.9**	

Note: Explanation of Yardsticks calculations on page 49.

Duke Power President Bill Lee (left) *and Carl Horn Jr.*
Philosophy went out the window.

least $4 billion on new coal-fired capacity.

But in many ways AEP's position is special. Sprawling across eastern coal fields, AEP has plenty of low-cost fuel at hand, and if it ends up with capacity it cannot use, AEP can sell any excess to its neighbors because its massive coal-fired plants can provide cheaper power than most of its compatriots can. More to the point, because it has been able to realize a return on its unneeded capacity, AEP's balance sheet is still in reasonably good shape, and it can still afford to finance its expansion.

Companies like Northeast Utilities are not so fortunate. Saddled with expensive nuclear and oil-fired plants, they are already paying dearly for overcapacity. These companies need rate increases to cover heavy interest and building costs. But utility commissions, mired in the politics of rate-making, are reluctant to grant them. If commissions were willing to grant rates to cover true costs, the industry argues, it would be in clover. But for the most part, they are not.

Which is why for the time being conservation and load management may be the only way out. According to Harvard Business School's energy expert, Robert Stobaugh, co-author of *Energy Future*, utilities could save 15% to 20% of the nation's energy consumption by investing in conservation and alternative energy. "If they do that," Stobaugh says, "they are not going to be power short. It's as simple as that. And only a handful have even started." No one recommends utilities stop construction now in progress. "The trouble is that many utilities see their job as building power plants," says Stobaugh, "not providing overall energy service. Well, that's how Ford Motor Co. got into trouble. The economics said they should build smaller cars. And what did they do? They went right on building big ones."—**Alyssa A. Lappen**

Toward the OPEC of the future

Anyone skeptical of how much conservation can do to reduce U.S. energy consumption need look no further than Boston's giant Gillette Co. "We're not talking theory," notes Cameron Beers, Gillette's energy conservation coordinator. "It's happened. We've done it."

In Santa Monica, Calif., Paper Mate and Flair pen production has increased over 200% in the last seven years. Making those pens takes less than half the electricity it did in 1973. Despite soaring electric rates, energy costs per pen rose a mere 29%. In St. Paul, Minn. Toni hair-care products and Soft & Dri deodorant are made with 38% less juice than in 1973.

That was the year executives at Gillette set out to reduce energy consumption at 50 facilities in 26 countries by 10%, and save $500,000 a year. Even some insiders were skeptical it could be done. But by 1980, sales had more than doubled to $2.2 billion, and energy use was down well over 30% from 1973. Roughly half that savings was in electricity. In the first six years Gillette had avoided $20 million in fuel and electric bills, a savings which last year rose to $7 million—about 23 cents a share pretax—annually. Yet the cost was negligible. There is no full-time staff, only part-time coordinators and local conservation teams at each plant. Even Cameron Beers spends only a third of his time on conservation.

Says Beers, "Energy conservation is no one major thing. It's the sum total of little things that add up to oh-my-god numbers." For example, 150-watt incandescent bulbs in the corporate reception area were replaced with new 75-watt ellipsoidal reflector lamps. That and other bulb changes reduced electric use there by 40% overall, *without* affecting light levels. Now Beers is testing task lighting (specific lighting rather than general) to cut electric use even more.

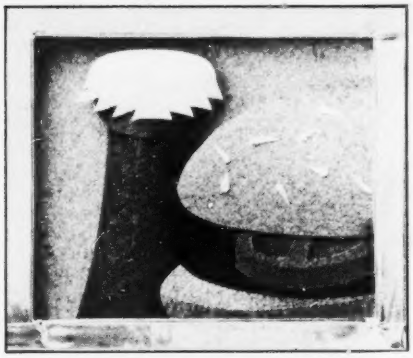
Ideas generated in one plant are circulated throughout the whole company. Various plants are also experimenting with technologies like solar, Beers says. Gillette thus expects to achieve yet another corporate goal: to reduce energy consumption per product unit by a good 15% over 1979 levels within three years.

Beers has no doubt the company can do it. British plants, more energy-efficient than American plants to begin with, have already met half that target. Says Beers, "I get more technological ideas on my desk today than in the last five years." By 1982 he expects the company will be using only 50% of the energy it did in 1973.

And after that, will there be still more room for improvement? "Oh, sure," laughs Beers. "If we can develop all of the alternative energy resources in the U.S. . . . and at the same time promote and continue the technological evolution of conservation, we, the Free World, can be the OPEC of the future."—A.A.L.

Sodium parking lot lights in Andover, Mass.
Gillette's goal is to cut energy usage another 15% by 1982.

The OPEC squeeze and more prosperous overseas trading partners have put a strain on grain. One solution: a chicken in every pot.



Food processors

IF THE NATION'S MEAT PROCESSORS and agricultural commodities producers are to be believed, you may as well bid a lingering good-bye to beef as the American consumer's meat of choice. Unlike other periods when the four-year cattle cycle peaked, per capita beef consumption in 1980 has actually declined from its previous high. What is more, consumption promises to continue dropping.

The problem is economics—and not just the traditional supply-demand economics of the beef market but the changing economics of corn, the principal feed crop. With annual production rising in recent years to 7 billion bushels, the U.S. is far and away the biggest producer of corn in the world. Until the mid-Seventies, domestic users accounted for nearly 90% of the crop in the form of feeds, consumer goods and chemicals.

The rise of OPEC and a changing world economic balance inevitably affected the corn business. The higher per capita income of countries like Japan, Korea, the Persian Gulf states and those of Western Europe was committed in part to upgrade the national diets and that translated into more meat. Ergo, more feed imports. Back in 1970, when a bushel of corn fetched $1.33, the U.S. exported 12.4% of its 4.15-billion-bushel harvest. By 1975 that proportion had grown to 29% and

Food processors

Yardsticks of management performance

	Profitability								**Growth**			
	Return on equity			Return on total capital					Sales		Earnings per share	
Company	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
Meatpackers												
Keystone Foods	25.6%	**1**	21.6%	0.6	14.0%	**3**	14.8%	1.0%	29.9%	**1**	23.9%	**2**
Tyson Foods	21.6	**2**	2.6	1.5	3.4	**4**	14.3	0.3	17.2	**4**	29.9	**1**
Iowa Beef Processors	20.9	**3**	19.7	0.3	16.2	**2**	16.0	1.1	17.4	**3**	20.0	**3**
Idle Wild Foods	20.3	**4**	16.3	0.3	12.5	**1**	16.3	1.0	10.1	**6**	18.4	**4**
George A Hormel	15.7	**5**	19.4	0.2	17.2	**5**	13.9	2.8	8.2	**8**	14.6	**5**
Oscar Mayer	14.2	**6**	10.0	0.1	8.9	**6**	11.9	1.8	9.4	**7**	7.5	**6**
Greyhound	13.2	**7**	15.8	0.5	11.6	**7**	9.6	2.6	5.8	**10**	4.5	**7**
Frederick & Herrud	12.3	**8**	13.8	0.6	9.8	**8**	9.0	0.8	18.5	**2**	0.2	**9**
Esmark	11.4	**9**	11.2	0.6	7.7	**9**	8.2	2.4	6.7	**9**	3.8	**8**
General Host	5.6	**10**	23.2	1.2	11.6	**10**	5.2	2.2	4.1	**11**	–21.1	**10**
Monfort of Colorado	def	**11**	def	0.7	def	**11**	def	def	12.8	**5**	P–D	**11**
Rath Packing	def†	**12**	NE	NE	37.6	**12**	def	0.6	1.3	**12**	D–D	**12**
Medians	**13.7**		**15.8**	**0.6**	**11.6**		**10.8**	**1.1**	**9.8**		**6.0**	
Agricultural commodities												
ConAgra	28.3%	**1**	21.6%	0.6	14.2%	**2**	16.0%	2.1%	7.7%	**10**	90.6%	**1**
Kay	28.1	**2**	36.5	1.6	12.5	**3**	14.2	1.1	25.2	**1**	68.0	**2**
Pioneer Hi-Bred Intl	25.5	**3**	29.5	0.2	24.4	**1**	22.7	14.1	20.8	**2**	23.3	**3**
Archer Daniels Midland	18.0	**4**	19.8	0.3	14.9	**4**	14.1	4.4	13.8	**5**	22.4	**4**
DEKALB AgResearch	17.3	**5**	16.3	0.3	12.5	**5**	13.4	8.0	18.0	**4**	15.0	**6**
A E Staley Mfg	15.3	**6**	25.7	0.4	16.7	**6**	11.2	4.5	19.8	**3**	11.9	**8**
Seaboard Allied Milling	14.6	**7**	10.6	0.3	7.9	**9**	10.3	1.3	8.7	**8**	19.0	**5**
Peavey	12.6	**8**	16.1	0.5	11.5	**10**	9.8	3.1	9.1	**7**	5.7	**11**
Central Soya	12.5	**9**	12.9	0.4	10.6	**11**	9.7	2.0	7.9	**9**	6.8	**10**
Dibrell Brothers	12.5	**9**	10.5	0.4	9.4	**8**	10.5	1.3	10.2	**6**	11.2	**9**
Anderson, Clayton	11.8	**11**	10.6	0.1	10.6	**7**	10.9	2.8	6.8	**11**	13.7	**7**
Savannah Foods	2.7	**12**	def	0.7	def	**12**	2.9	def	3.1	**12**	–20.4	**12**
Medians	**15.0**		**16.2**	**0.4**	**12.0**		**11.1**	**2.5**	**9.7**		**14.4**	
Industry medians	**14.4**		**16.1**	**0.5**	**11.6**		**11.1**	**1.9**	**9.8**		**12.8**	
All industry medians	**15.8**		**16.1**	**0.4**	**11.0**		**11.1**	**5.0**	**14.3**		**13.9**	

Note: Explanation of Yardsticks calculations on page 49.
†Four-year average. P-D: profit to deficit. D-D: deficit to deficit. def: deficit. NE: negative equity.

A western farmer rides herd on his hogs
Twice the meat per pound of feed in one-fourth the time.

by 1980, to over 40%—at prices upwards of $3.50 a bushel.

There are other new demands on corn as well, like its uses as a fuel feedstock and in sweeteners like high-fructose corn syrup (HFCS). Much of this demand, of course, is yet another result of the OPEC oil squeeze, which has driven Brazil, producer of 7% of the world's sugar supply, to convert a significant part of its crop into fuel-grade ethanol. In the space of a single year, the spot price of raw sugar has almost trebled because of increased demands on dwindling market supplies; the decisions of soft-drink manufacturers to use HFCS in their syrups is a sign of things to come.

Which brings us back to meat. As much as you may relish the thought of a well-aged, nicely marbled steak, the simple fact is that cattle, compared with other meat animals, are inefficient converters of grain to protein. For every pound of weight it puts on, the typical U.S. feeder steer has to consume anywhere between 8 and 10 pounds of feed. By contrast, a hog needs 4 pounds of grain for every pound of meat and a chicken needs only 2 pounds. There's a time difference as well: It takes two years to ready a steer for slaughter, versus six months for a hog and seven weeks for a broiler.

Such disparities in time and feed are necessarily reflected in price so that, not surprisingly, American consumers are opting more and more for pork and poultry. In 1975, for example, the average citizen consumed 88.9 pounds of beef, 51.2 pounds of pork and 49.2 pounds of poultry. Last year per capita beef consumption had dropped to 78.4 pounds while pork showed a 34% rise to 68.7 pounds. Poultry, meanwhile, gained 27%, bringing consumption to 62.3 pounds.

This has meant tough times for the beef processors. "The assembly-line beef fabricators like Iowa Beef Processors and MBPXL dominated the industry with newer plants and lower labor costs," says Glenn Grimes, an agricultural economist at the University of Missouri. "Wilson is gone, Swift is almost out and Armour is changing strategy." The rub, of course, is that they are now stuck with excess capacity. No surprise that Iowa Beef recently announced its intention to go into the hog slaughtering business as a way to redirect its resources at a growing industry segment. Others, meanwhile, are phasing out their fresh meat operations. Oscar Mayer & Co., for instance, is planning to close the hog-slaughtering facilities at its Davenport, Iowa plant and reduce fresh-kill capacity from 5 million pounds a year to 3 million. At the same time, the company is spending heavily behind its higher-margin processed meats operations and in 1979 acquired Louis Rich, Inc., an Iowa manufacturer of turkey products, including cold-cut lookalikes. "The long-term love affair with beef has slowed some," confesses Oscar Mayer economist Patrick Luby. "Our biggest growth area right now is the white meats—turkeys."

And then there is chicken, the most efficient grain-to-protein factory there is—and one capable of producing significantly better margins at all levels of the food industry. You can see it most clearly in fast foods, where rising beef costs have put a severe strain on margins, forcing the chains to come up with cheaper alternatives *(see box)*. At Keystone Foods, for instance, a McDonald's supplier, pretax margins on beef patties can go as low as 2%. "Although beef is our main product," concedes James Loftis Jr., a Keystone spokesman, "we have a lot of interest in poultry." Burger King introduced a chicken sandwich two years ago that has become a roaring success; McDonald's is currently test marketing a similar product in 3,700 outlets.

William Roberts, agribusiness analyst at Piper, Jaffray & Hopwood in Minneapolis, sums up the problem: "We are using grain exports to offset our dependence on imported energy," he says. "The need for cheaper energy means a move further down the meat ladder." Or, as Marie Antoinette might have put it, "Let them eat chicken."—**Stanley Ginsberg**

A hunger for variety

Thanks to changing tastes and rising beef prices, the king of the fast foods business—the mighty hamburger—is finally being forced to move over a little. Fast foods chains are beginning to add chicken and other nonbeef items to their slow-changing menus. As the price of ground beef has crept up—from 85 cents to $1.62 per pound since 1977—nonburger items permit a chain to offer its customers more menu alternatives.

So far three big hamburger chains—McDonald's, Burger King and Wendy's International—are involved in the trend. Burger King, a Pillsbury subsidiary, was the first to introduce a chicken sandwich over its entire system as part of a line of "specialty sandwiches" introduced during 1979. Now, chicken, ham and cheese, fish and roast beef provide an average of 20% of Burger King's total sandwich sales.

Beef prices were admittedly on the rise, but the burger-buying public was apparently hungry for variety. "We found that consumers were open to new items," says Burger King official Donna Nicol-Guido. "It was a time they were substituting chicken and pork for hamburger at home."

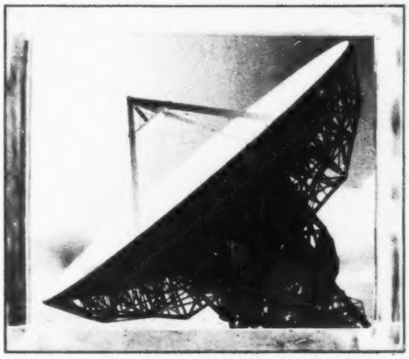
The addition has several benefits, notes analyst Victor J. Raskin at Dean Witter Reynolds. "It's for variety, to increase traffic. It also makes the chains less beef-oriented and gives the customer an option within the store. If they don't have that alternative, they'll go someplace else."

And, until it added chicken, they *had* been going someplace besides Wendy's. In 1979, average unit sales fell for the first time in the chain's ten-year history. Because of its minimalist menu—three types of hamburgers, fries, chili and a dairy dessert—the Ohio-based chain was severely exposed to beef price fluctuations, far more so than competitors who can shuffle price increases among a lot of items. Beef accounted for over half of its total food costs, and its cost per pound rose 79% between 1977 and 1979.

"We realized we had to come on stream with some new products," Wendy's President and CEO Robert Barney says. That happened last spring, as Wendy's introduced a salad bar and a chicken sandwich to 1,800 and 1,000 units respectively. The sandwich, with 3.5 ounces of white breast meat, sells for between $1.59 and $1.89, and has been accounting for between 8% and 10% of sales. Together, the two additions have helped Wendy's maintain its traffic and volume.

Meanwhile, McDonald's refuses to commit itself. It has been testing a McChicken Sandwich in some of its 5,100-plus domestic units since 1979. The Oak Brook, Ill. giant won't say when, if ever, the sandwich, which sells for around $1 in company-owned restaurants, will join the standard menu. Don't hold your breath, though: McDonald's has been tinkering with chicken in "just about every variation you can think of" for the past 12 years.—Van Wallach

Charles Ferris' FCC has redrawn the map of the communications industry. Will Reagan's man want to restore the old boundaries?



Telecommunications

I'M HOPEFUL NO ONE WILL BE ABLE TO UNSCRAMBLE the eggs," says Federal Communications Commission Chairman Charles D. Ferris. He's thinking aloud about Reagan's incoming Administration and the inevitable political appointees, one of whom will get his job. But he's also hopeful no one will want to undo what he has done.

"You're always going to be able to trim at the margin, slow it down or pollute a particular process. But I don't think anyone can justify abandoning our policies," adds Ferris

Of course, Ferris, a 47-year-old political appointee himself, has done precisely what he hopes his replacement will not—turned the telecommunications world on its head.

What makes Ferris think the new man won't be equally aggressive in another direction? The answer is that Ferris has been more of a Republican than a Republican might have been. "I believe in free enterprise. It works." That's from a liberal Democratic former chief counsel to the Senate Majority Leader who earned his political spurs during the days of the landmark civil rights acts.

"The FCC has injected itself too deeply into detailed decision-making. I don't know how to run the businesses of the thousands of licensees we regulate. I shouldn't participate in their decisions," he says. "We're not out of the game, however. We prescribe the perimeters of the playing field. We're the referee, dropping the yellow flag to call foul."

He'd do that if, say, AT&T, now free to enter the computer industry because the computer industry—and anyone else for that matter—can invade its turf, were to quash competition rather than compete fairly. The FCC decides what's fair. "That's the role we should have, rather than running interference. That's the proper role of government, of this agency."

That's a change from the past. But will it help the telecommunications industry, the consumer? Says Ferris: "I'm a liberal Democrat who believes in social justice. But, I know the strength of the profit motive. One should go with strengths, not weaknesses."

That benefits consumers too? "Oh, sure," says Ferris confidently. "If one can create an environment where the profit motive creates the greatest amount of service and product at the least expense, why not?"

It's a far cry from the FCC that Ferris inherited. After 15 years with Congress, Ferris had come down from the Hill in 1977, clutching a recommendation to Carter from all 100 senators and the Speaker of the House. Carter considered him for deputy Attorney General and the White House staff. Ferris wanted neither: "In a staff position you spend an awful lot of time chasing decision-makers. I'd rather be an executive and make decisions."

He was given the FCC. "I found a comfortable relationship between the industries we regulate and the commission. There had been a subtle capture of the agency by the companies in those industries."

Complains Ferris: "This place had been run by lawyers for decades. I peeled off the layers around their decisions and found a mushy core from the standpoint of policy." What did he do? "We're an economic regulatory agency," he explains, "so I more than doubled the number of economists, to about 100." He also set about changing the role of the FCC, breaking down the old barriers within telecommunications and opening the floodgates of competition on every aspect of communication, from satellite to television. "All the U.S. productivity increases will come from telecommunications," Ferris says. "It will greatly affect American productivity for decades. The competitive environment we're now creating will make us so

Telecommunications

Yardsticks of management performance

	Profitability								Growth			
	Return on equity			Return on total capital					Sales		Earnings per share	
Company	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
United Telecom	17.8%	1	15.9%	1.0	6.7%	1	7.5%	8.9%	13.8%	2	9.1%	3
Central Tel & Utils	17.3	2	17.5	0.9	7.6	2	7.5	10.4	15.7	1	9.6	1
General Tel & Elec	14.4	3	9.9	0.9	5.3	4	7.0	4.6	11.7	4	7.6	4
Continental Tel	13.9	4	14.0	1.1	6.5	5	6.6	9.6	11.8	3	5.3	6
American Tel & Tel	12.7	5	12.8	0.7	7.1	3	7.2	12.1	11.6	5	9.2	2
So New England Tel	10.9	6	9.7	0.5	5.8	6	6.3	8.4	10.5	6	5.9	5
Western Union	4.5	7	4.9	0.9	5.0	7	4.7	4.9	7.0	7	0.7	7
Industry medians	**13.9**		**12.8**	**0.9**	**6.5**		**7.0**	**8.9**	**11.7**		**7.6**	
All industry medians	**15.8**		**16.1**	**0.4**	**11.0**		**11.1**	**5.0**	**14.3**		**13.9**	

Note: Explanation of Yardsticks calculations on page 49.

FCC Chairman Charles D. Ferris
"I believe in free enterprise. It works."

much more responsive. It's our society's lifeblood."

Ferris warms to this theme. The large tan chair he sits in, rather than on, is swiveling and bucking: "Let them all compete," he says, waving his hands. "If it means that some might not make it, well, it's a free enterprise business, that's what it's all about. Let's stand back and let a competitive environment see who wins."

That's what Ferris has done with AT&T. He has allowed companies into all aspects of Bell's business. MCI Communications, for instance, has muscled in on long-distance telephone calls. But such calls are made largely by business and the revenue goes toward subsidizing local calling, says Bell. So, quid pro quo, Bell has been allowed into the computer industry and other areas of communications (FORBES, *Sept. 15, 1980*). Comments Ferris: "That's great. To have AT&T up against the Exxons, the IBMs and Xerox is marvelous. It's going to create a more competitive environment."

Ferris has had his wav and the telecommunications industry stands at what may be the dawn of a new age of profitability. And Congress isn't far from finally scrapping the old 1934 Communications Act with a new, flexible and forward-looking law. But don't hold your breath waiting.

"The public doesn't yet appreciate what we've done. Perhaps 20 years from now they might," says Ferris whimsically, referring to the increased access he's given minorities to television and radio and the social changes that will bring.

"You see," he says, "what we've done is contribute significantly to what U.S. society is going to be."—**Maurice Barnfather**

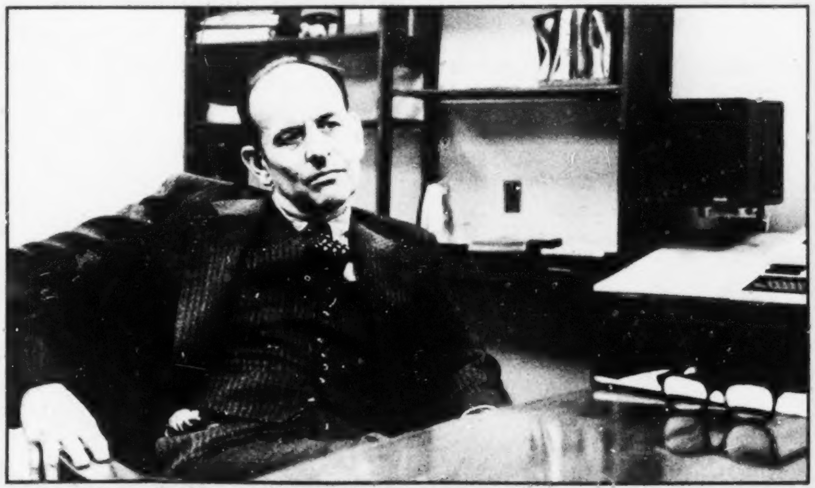
Catch 222

"Let them all compete," says FCC Chairman Charlie Ferris with a lordly wave of the hand, and indeed, he's done everything in his power to enable the telecommunications industry to do just that. Trouble is, there are limits to the power of even a federal bureaucrat, and in at least one case those limits have made for results quite different from what was intended. Just look at the sad state of poor old Western Union.

Under pre-Ferris rules, domestic and international telex communications were carefully segregated. The so-called international record carriers—primarily ITT, RCA, Western Union International (a Xerox subsidiary)— were granted oligopolistic control of the international telex business, while Western Union had a closely regulated monopoly over domestic business. Overseas transmission occurred via five "gateway" cities: New York, Washington, Miami, San Francisco, New Orleans. When a typical telex message went from, say, Chicago to London, Western Union got the toll from Chicago to New York and an IRC got the toll from New York to London. Everybody was happy.

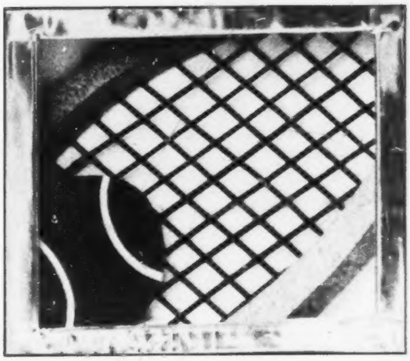
Not anymore. The FCC decided to increase telex competition. In December 1979 the commission increased the number of gateway cities to 26 and granted Western Union permission to enter the international telex business. Section 222 of the Communications Act of 1934, however, specifically restricts Western Union to domestic "record" transmission, and so, in August a federal court struck down the FCC ruling. The upshot is that Western Union cannot operate overseas, whereas an IRC can now compete with Western Union domestically in offering service between the new gateway cities (at prices subsidized by international revenues) and can cut Western Union out completely on transmission from those gateways to overseas. Western Union doesn't get a penny on that typical Chicago-to-London telex anymore.

Not surprisingly, Western Union, which derived 38% of its 1979 revenues of $718 million from telex services, is upset. Says Chairman Bob Flanagan, "The situation cries out for relief. It's like asking someone to compete with Al Capone in the beverage business during Prohibition: Your competition is doing things that the law of the land says you can't. I'm too much of a patriot to believe it will continue."—Newcomb Stillwell



Western Union Chairman Robert M. Flanagan
How do you compete with Al Capone?

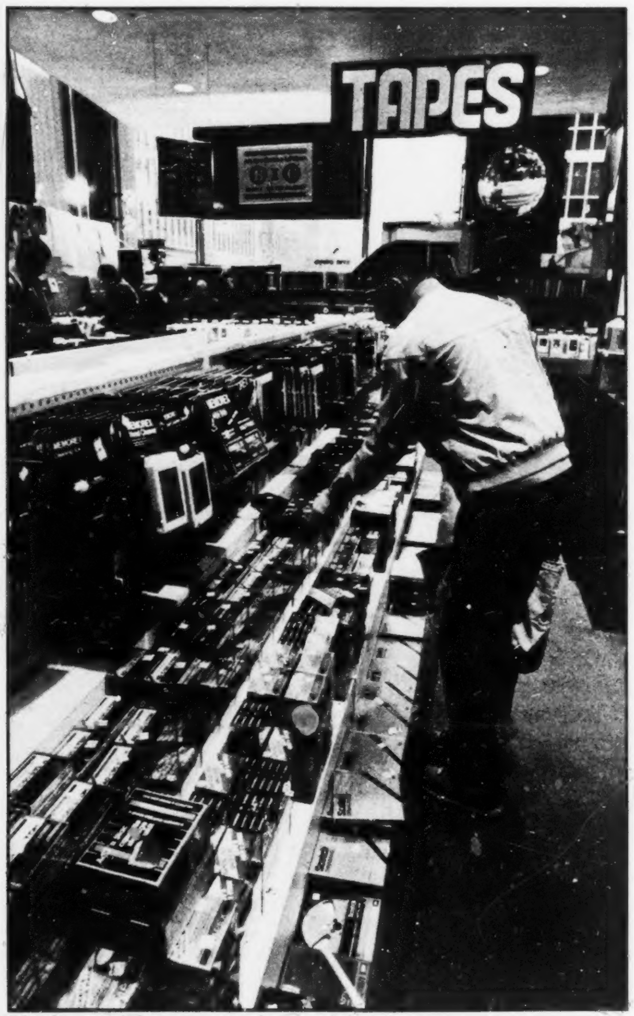
With home taping taking a deadly toll on the recorded music industry, retailers might end up switching to video accessories and allowing records to bite the dust.



Leisure

DESPITE INFLATION AND THE RECESSION, one 26-year-old, $30,000-a-year New York television spot salesman still eats out frequently, buys the latest men's fashions and rents a beachside cottage during the summer. But he's cut back on his record purchases: "Six bucks a pop is too expensive," he says. "I make tapes instead."

So does a growing portion of the U.S.' record-buying public. The sale of tape recorders has overtaken record players at many audio stores, and home recording has become a major discretionary dollar-saving device for millions of Americans. In response, retailers are now offsetting dwindling record sales with blank cassettes and video accessories.



Blank-tape aisle in New York record store
Little room left for the records.

A CBS Records study found that the record industry loses over $700 million in sales annually to home taping on blank cassettes. "We have not been successful, nor do we know exactly what to do to prevent home taping," admitted Walter Yetnikoff, president of CBS Records Group. "It remains a very serious problem. I think it's going to require congressional legislation before it can be dealt with effectively."

Add on at least $400 million in records pirated, counterfeited or otherwise diverted from normal channels every year, and you have a burden not even an industry as vigorous as the $3.7 billion record industry can sustain very long.

According to the Recording Industry Association and the National Association of Recording Merchandisers, unit sales of records reached an alltime high of 531 million in 1978, thanks largely to the unparalleled success of the *Saturday Night Fever* and *Grease* soundtracks. In 1979 unit sales fell to 502 million, and in 1980 may have dropped off another 5%. Which means that, excluding the expected surge in sales of Beatles and John Lennon records following his death late in the year, there were about 30 million fewer records sold in 1980 than in 1973. In the same period, the number of blank cassettes sold has more than doubled to over 250 million.

Home-taped copies of LPs are made from borrowed records or albums broadcast over the airwaves. Radio stations advertise the uninterrupted play of a soon-to-be-released recording, and home-taping enthusiasts tape the entire LP on one side of a 90-minute cassette. Half a high-quality tape costs about $2—a fraction of the cost of an $8.98 list-price disc. To make matters worse, the recorded cassettes most record companies market (about 15% of 1979 industry sales) are usually of a quality inferior to the cassettes made by most home tapers.

Airplay is essential to record sales, so the record companies couldn't simply cut back advances of new releases to stations. Instead, they tried to convince DJs not to play uninterrupted LPs. That didn't work, so last summer Arista, CBS, Chrysalis and Polygram announced they would not pay for retailer advertisements that appeared with ads for blank cassettes. The retailers went along, but consumers went on taping.

The industry then launched a $10 million "Give the Gift of Music" publicity campaign. Lackluster blank cassettes can't compete with shiny record jackets, so gifts—14% of record sales—have so far held their own against cassettes.

But the pinch was beginning to hurt, and early last year the major record companies unexpectedly changed their traditionally liberal 100% return policy (originally designed to encourage distributors and retailers to keep large inventories), and replaced it with a strict credit line and a new 20% return policy. Stores suddenly found themselves stuck with millions of dollars of unsalable, unreturnable inventories, and hundreds of small independent distributors were driven out of business. Norman D. Cooper, Inc., one of Philadelphia's largest independent distributors, found itself stuck with nearly $1 million of unmovable inventory. Two of its smaller competitors were forced to close. Now Cooper can only stock hit products. "I've lost accounts because I haven't been able to carry full-line inventory," says General Manager Steven Parelman.

Record sales would have been off twice as much as they were if the industry hadn't cut prices. CBS led the majors in reducing the list price of catalog items (past releases from hundreds of sure-sellers like Bob Dylan) from $7.98 to $5.98. According to CBS' Yetnikoff, this move increased catalog sales by over 400% and was a large factor in the CBS Group's successful 1980 results. The other major labels have followed suit.

Price reductions would probably have worked well for new products also. But the industry went ahead and increased list prices on most new releases from $7.98 to $8.98, making 1980 the fifth consecutive year of dollar increases. Some albums even list for $9.98, testing the waters for a 1981 price increase. But every increase almost certainly diverts even more consumers to the blank-tape aisles, where prices have been increasing at the negligible rate of 10 cents per year. A $9.98 list price, says John D'Antoni, record buyer for New York's discount retailing chain Disc-o-mat, "could definitely hurt the industry." D'Antoni estimates that unit record sales for the chain were down about 10% in 1980, but the loss had been compensated for by a similar increase in blank cassette sales.

So far the big record companies have managed to stave off

Leisure

Yardsticks of management performance

	Profitability								Growth			
	Return on equity			Return on total capital					Sales		Earnings per share	
Company	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
Travel												
Loews	23.8%	1	24.1%	0.7	11.8%	2	10.5%	5.0%	25.4%	1	27.6%	2
Hilton Hotels	23.1	2	26.3	0.3	20.5	1	16.3	19.1	5.0	5	29.6	1
Marriott	14.9	3	19.2	0.8	9.8	4	8.3	4.4	18.7	2	20.5	3
Holiday Inns	11.5	4	15.2	0.5	12.3	3	8.6	7.6	6.2	4	7.7	4
Ramada Inns	7.5	5	8.5	1.8	5.1	5	4.8	3.3	13.7	3	–0.2	5
Medians	14.9		19.2	0.7	11.8		8.6	5.0	13.7		20.5	
Entertainment												
Columbia Pictures	54.4%	1	24.6%	0.2	18.5%	1	21.0%	6.8%	15.7%	5	D–P	
Warner Communications	31.5	2	34.7	0.4	25.0	3	19.9	11.6	19.3	1	34.7%	2
Twentieth Century-Fox	25.6	3	20.7	0.4	15.9	4	18.9	6.9	18.7	2	38.3	1
MCA	21.7	4	17.8	0.0	15.8	2	20.1	10.6	16.3	4	21.6	3
General Cinema	19.6	5	17.3	1.1	11.2	5	12.8	3.5	17.1	3	16.2	5
Walt Disney	12.7	6	14.0	0.0	12.8	6	11.4	14.8	14.8	6	17.0	4
Medians	23.7		19.3	0.3	15.9		19.4	8.8	16.7		21.6	
Recreation												
Tandy	47.5%	1	43.5%	0.8	26.4%	2	27.1%	8.3%	25.6%	3	51.7%	2
Resorts Intl	38.8	2	22.7	0.4	16.2	1	29.8	14.0	39.9	1	93.9	1
Parker Pen	26.4	3	26.2	0.1	25.4	3	24.7	5.7	37.1	2	28.4	3
Mattel	24.2	4	14.1	0.8	10.8	5	17.7	3.6	14.3	10	D–P	
Bally Manufacturing	24.1	5	19.5	0.8	10.6	6	17.4	9.0	24.8	4	24.7	6
MGM Grand Hotels	23.8†	6	25.2	1.0	13.5		**	11.0	23.9‡‡	5	28.2‡‡	4
Milton Bradley	20.1	7	23.1	0.2	20.3	7	15.7	8.0	14.7	9	21.7	7
Eastman Kodak	19.3	8	21.2	0.0	20.1	4	18.2	12.4	12.2	12	8.7	11
Franklin Mint	18.7	9	18.3	0.2	14.7	8	15.2	6.1	17.8	7	8.1	12
American Greetings	14.5	10	13.8	0.4	10.0	11	10.9	5.9	11.7	13	10.7	9
AMF	13.1	11	12.9	0.4	9.7	14	9.3	3.5	7.2	17	0.5	15
Caesars World	13.0	12	34.9	2.2	17.1	16	7.4	6.5	23.2	6	27.5	5
Fleetwood Enterprises	12.0	13	def	0.0	def	9	12.0	def	16.0	8	5.6	13
Del E Webb	11.1	14	8.5	1.3	7.1	12	10.5	2.0	8.1	16	13.2	8
Skyline	11.1	15	4.3	0.0	4.3	10	11.1	1.7	3.5	18	–4.0	16
Brunswick	10.8	16	6.0	0.6	5.3	15	8.4	2.4	9.9	14	3.3	14
Polaroid	10.2	17	8.9	0.0	8.9	13	10.2	5.8	13.0	11	10.6	10
Outboard Marine	7.9	18	0.8	0.4	1.9	17	6.8	0.3	8.8	15	–4.7	17
Medians	16.6		16.2	0.4	10.7		12.0	5.9	14.5		10.7	
Food service												
McDonald's	24.7%	1	22.3%	1.0	12.0%	1	13.6%	10.0%	23.3%	3	24.1%	2
Denny's	21.7	2	12.7	1.7	7.3	3	12.9	2.4	24.3	2	23.2	3
Host International	20.5	3	19.2	0.8	12.2	2	13.0	4.1	12.6	5	20.8	4
Hardee's Food Systems	20.2	4	21.1	1.1	10.8	4	12.2	3.5	17.1	4	34.8	1
Gino's	4.9	5	def	4.1	1.9	5	5.7	def	11.7	6	–13.7	5
Sambo's Restaurants	def	6	def	3.9	def	6	4.4	def	25.7	1	P–D	6
Medians	20.4		16.0	1.4	9.1		12.6	3.0	20.2		22.0	
Industry medians	19.6		18.3	0.5	11.8		12.5	5.8	16.0		20.5	
All industry medians	15.8		16.1	0.4	11.0		11.1	5.0	14.3		13.9	

Note: Explanation of Yardsticks calculations on page 49.
†Four-year average ‡‡Three year growth. P-D: profit to deficit. D-P: deficit to profit; not ranked. def: deficit.
**Not available; not ranked.

the onslaught. Earnings at CBS Records were up about 25% in 1980; Warner Communications, Polygram and RCA kept earnings from their record businesses roughly on a par with 1979, and MCA had a large income increase reflecting its acquisition of ABC Records. But how long these kinds of results can last is anyone's guess.

The industry's distributors and retailers are not waiting around for congressional legislation or John Travolta to help ailing sales. They are keeping their eyes on the future and they're not looking at audio discs. They're looking at videotapes, video discs and electronic game cartridges, which carry much higher markups than records. For distributor Parelman, video accessories represented nearly 15% of his sales last year, up from nothing in 1979. Henry Brief, executive vice president of the International Tape/Disc Association, says that the sale of video cassette recorders (VCRs) probably topped 750,000 in 1980, up 58% over 1979, and should nearly double in 1981. At the same time, 1980 blank videotape sales were up 42%.

With record unit sales declining, the next new wave in the leisure industry promises to be electronic games, the hottest innovation since the invention of the phonograph disc. Atari, Inc. has increased Warner's consumer electronic and toy division revenues from $238 million in 1979 to about $400 million in 1980. The consumer buys a computer video system for $150, then cartridges of such games as Space Invaders and Asteroids at $20 a shot, to bring star wars into the living room. When he is bored with one game, he simply goes to the record store and buys another one.

For the future, says analyst David Londoner at Wertheim & Co., the major direction of the leisure industry is the move in prestige consumer durables toward home video durables: "I think what you see is the anxiousness of the American public to embrace this whole video technology and bring the screening room into the home."

For the record companies this may just be the handwriting on the wall.—**Jonathan Greenberg**

Too old to rock 'n' roll?

When the ultrapopular rock band, the Eagles, set out on tour last summer, they chartered a 727 for a month at $300,000, assembled a crew of 47 and stayed at the best hotels for $6,000 per day. Even adding in salaries, equipment and freight charges, the group's expenses probably didn't amount to half their revenues. That's because the Eagles were paid about $350,000 for every night they performed.

The Eagles are among a dwindling number of rock bands that can afford such extravaganzas. These days nearly 90% of the bands on tour fail to make money. Although hot groups still sell nearly as many tickets as ever, there aren't as many hot groups as there used to be, and soaring expenses are eating away at promoters' profits. "It used to be," says Larry Magid of Electric Factory Concerts, which handled about 300 concerts in 1980, "you would make a healthy profit on $85,000 for a concert. But now you can easily lose $20,000 to $25,000 if that's all the business you're generating."

Lead guitarist Glenn Frey of the Eagles
An endangered species?

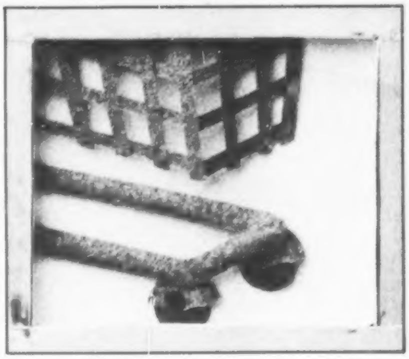
Until last year such losses were often subsidized by the record companies that contributed millions to touring groups in order to boost disc sales. But no more. Rock isn't selling the way it once did, so the companies have drastically reduced their support. According to the National Association of Recording Merchandisers, rock music dropped from 41.7% of record industry sales in 1978 to 37.4% in 1979, and lost a few more percentage points in 1980.

Rock isn't drawing the concert crowd either. Ticket prices are getting higher and audiences are getting younger, explains Stephen Bernstein, the 24-year-old president of Air Apparent, a Los Angeles-based concert tour company that handles travel arrangements for Fleetwood Mac and Diana Ross, among others. The record industry's decision to raise the price of new LPs even further won't help any either. "The average ticket costs $12. Added to an $8 record, that's $20 for a 15-year-old kid. So you're going to see fewer record sales and that means fewer concert tours, and less business for me."

Fewer rock concerts also means trouble for civic halls and arenas across the country, where municipalities have depended on rock concerts for a portion of their income. Now that such once-popular groups as Heart and Dave Mason fail to draw audiences, the concert halls are feeling the pinch. College audiences seem to offer little relief for the hard-pressed, marginally successful rock band. In 1979, when the Marshall Tucker Band played at the 7,000-seat Broome County Arena in upstate New York, the show was a sellout. A year later student promoters at the State University of New York at Binghamton thought the group would surely be worth the $30,000 it cost to have them perform, even at $10 a ticket. But like other college performances in Albany and Oswego, the concert was a dismal failure. Only 2,000 tickets were sold, and the school lost $12,000. David Wysnewski, a student-association president, said, "We've reached the point where every rock group is not going to sell out. So when the concert commission puts on a show they're going to have to think twice about who they invite."

Teenagers from the baby-boom years of the late Fifties have aged and been turned off by the large concert crowds and audiences disrupting shows, and the reverberations of that Cincinnati concert in which 11 Who fans were killed in a stampede still linger in people's memories. Rock just doesn't pull the way it used to. As Air Apparent's Bernstein admits, "People are tired of paying $18 to sit a mile away from the group they're seeing—they enjoy the intimacy of a smaller club more."—J.G.

Nowadays supermarkets have to be as responsive to change as a cigarette or beer company. But the changes come hard.



Supermarkets

TIME WAS WHEN BEING A STAR in the retail grocery business often seemed to involve little more than building a store in every bedroom community and keeping the shelves full—hardly an imaginative challenge. But that was before inflation ravaged food costs, shopping patterns changed and consumers began getting sophisticated. Gauging these changing conditions has become as critical to the supermarket industry as ratings are to prime-time TV. How fast a supermarket chain detects and responds to these evolutions, and at the same time adapts to crushing energy and labor costs, dictates the difference on the bottom line.

Take Kroger, for instance. The Cincinnati-based food retailing giant interviewed about 250,000 shoppers during the past couple of years, trying to find out what the evolving shopper is up to. Kroger has found what others are finding—that the era of moderate-size neighborhood food markets, patronized primarily by housewives, is long gone. Today's retailing unit is the 30,000-to-50,000-square-foot "superstore," which stocks everything from olives to oil filters and tries to appeal at the same time to a host of demographic groups.

Other hybrid store concepts are largely sideshows—the "box" store, for instance, like A&P's Plus or Grand Union's Basic Food Warehouse, a no-frills market with a relatively small number of high-volume items. An SRI International study considered the effects of 24 demographic, economic, social and psychological factors on various store formats, and determined the "superstore" concept is the mainstream of the Eighties.

Some of the nation's supermarket chains—Kroger, Lucky and Albertson's, for example—are pretty far down the path to converting to the modern everything-to-everybody superstores, which often have bakeries, delicatessens and even flower shops. But making this change isn't easy. It requires a whole new perspective, one that comes hard to supermarket managers accustomed to cramming groceries on the shelves.

The largest U.S. food chain, Safeway, is among those still caught in the changeover, and its effort to adapt illustrates the struggles ahead for others. At stake is half the space in the typical superstore, space dedicated to high-margin nonfoods that most supermarkets have no experience in selling.

"We've got to train our people to handle nonfoods," says Safeway's 38-year-old chairman, Peter Magowan. "When stocking food, you order in quantity and cram as much on the shelf as possible. But with nonfood, that can be a mistake. We've got to teach our buyers to order nonfoods more carefully, because the turnover isn't nearly as great as in food." Magowan continues, "We've also got to show our stockers how to display nonfood merchandise. Take cosmetics. You don't just put them on the shelf. They require good lighting, samples, tissue paper and a salesperson who can answer questions and give advice."

Training isn't easy, particularly for store managers weaned on merchandising flour, canned meat or pineapples, but without expertise in such things as flowers or wine. "Today our store managers have to field questions about flowers," Magowan says. "Which ones need how much water and how much light." What do you do when a store manager is suddenly supposed to know something about wine? "We regularly invite our managers to wine tastings," Magowan smiles.

As if these changes aren't enough to worry about, Safeway and every supermarket chain are fighting the crosscurrents of altered buying habits. Store hours are growing longer, for instance, because working women tend to shop in the early morning or evening hours, unlike the housewives who shopped in the daytime. There is also a handful of other demographic groups developing, each with its own demands and buying habits—single men, health-food devotees, senior citizens, ethnic groups and working couples.

Trading down

When food inflation accelerates, retailers begin wringing their hands because shoppers start "trading down," substituting $3 in chicken, say, for $10 in T-bone steaks. Since margins are about the same on chicken and steak, the sales drop is bad news for retailers.

And the news really is as bad as it seems. Within the next few months, many food items will be heading into just such a period of rampant inflation. USDA forecasts a 28% increase in the price of pork, 22% in sugar, 18% in poultry, 1[illegible]% in eggs and 14% in beef. Overall USDA expects an inflation rate of 10% to 15%, the result of an unprecedented foreign demand for U.S. grain crops and smaller crops stunted by last year's drought in the Midwest.

Shoppers, however, "trade down" from the inflation leaders, says Kroger President Lyle Everingham, so that the "real" food inflation rate will run about 6% to 8%. "Trading down, for instance, hurts when shoppers begin trading out of packaged convenience foods, with their built-in high margins," says Lucky Stores President Don Ritchey, "and into more basic items for preparing meals from scratch."

Although no food retailer would deny that trading down pinches profits, there are some benefits nonetheless. During high inflation, shoppers traditionally have traded down from national brands to house brands, which carry fatter margins. But here's what's new. Superstores, with their major commitment to nongrocery offerings, present opportunities for a chain to capitalize on trading down from one retailer to another.

Kroger is finding that, instead of buying fried chicken from Colonel Sanders, patrons are buying chicken from Kroger's fast foods sections. And rather than buy from a florist, Kroger's customers purchase more flowers from Kroger. Lucky's Ritchey notes customers are trading away from outside specialty stores and buying more of their general merchandise from Lucky supermarkets. Even high gas prices are helping superstores, which cater to one-stop shopping. Though food inflation is a dark cloud indeed, superstores are finding something of a silver lining.—J.M.

In adapting to these shifting needs, food chains are also facing soaring energy and labor costs. Lucky President Don Ritchey says utility bills in some of Lucky's 300-plus supermarkets are running higher than rent, up to $350 a day in some places. As expensive energy-saving devices have been added to the stores, Lucky's energy usage has dropped 15% to 30%, but there's still room for improvement in the industry.

Labor costs are something else. Most of the big chains' labor contracts are tied to various cost-of-living-allowance (COLA) provisions. The effect is to tie labor costs to inflation, leaving one to feed off the other. And because the cost-of-living index overstates inflation in certain ways, the chains' labor rates are driven higher. Says Magowan, "We're seeing contracts which cover three years and increases of up to 40%. That's terrible. I don't know what we're going to do about this." For food chains, it's tough sledding ahead.—**John Merwin**

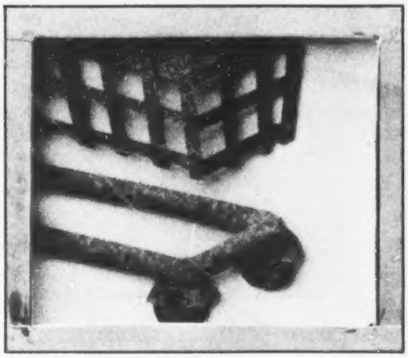
Supermarkets

Yardsticks of management performance

	Profitability								Growth			
	Return on equity			Return on total capital					Sales		Earnings per share	
Company	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
Major chains												
Lucky Stores	24.5%	**1**	22.2%	0.7	13.6%	**2**	15.2%	1.5%	15.3%	**2**	11.6%	**4**
Winn-Dixie Stores	20.7	**2**	18.3	0.2	15.7	**1**	18.4	1.6	15.0	**3**	11.6	**5**
Supermarkets General	19.3	**3**	19.0	1.6	10.3	**4**	9.9	1.0	9.6	**6**	24.3	**1**
Southland	15.8	**4**	14.2	1.1	8.2	**5**	9.9	1.6	17.9	**1**	15.3	**3**
Kroger	14.5	**5**	15.1	0.5	10.2	**3**	10.2	0.9	12.6	**4**	18.0	**2**
Safeway Stores	13.8	**6**	11.3	1.0	7.5	**6**	9.4	0.8	11.6	**5**	4.5	**8**
Jewel Companies	12.5	**7**	14.7	0.7	9.2	**7**	8.1	1.4	8.8	**8**	7.8	**7**
Stop & Shop	12.0	**8**	7.7	1.3	7.1	**8**	7.5	0.8	9.3	**7**	8.0	**6**
National Tea	1.2	**9**	11.2	1.2	7.2	**9**	1.1	0.7	–6.9	**12**	D–D	**10**
Great Atl & Pac Tea	def	**10**	def	0.9	def	**10**	def	def	2.0	**9**	D–D	**10**
Food Fair	def†	**11**	NE	NE	39.6	**11**	def	1.2	–1.0	**10**	P–D	**9**
Allied Supermarkets	def†	**12**	NE	NE	8.8	**12**	def	0.4	–5.9	**11**	D–D	**10**
Medians	**13.2**		**14.5**	**1.1**	**9.0**		**8.8**	**1.0**	**9.5**		**7.9**	
Regional chains												
Food Town Stores	35.0%	**1**	31.0%	0.2	24.7%	**1**	29.3%	2.8%	33.4%	**2**	35.9%	**3**
Bruno's	25.9	**2**	29.4	0.5	19.4	**5**	16.6	1.9	23.5	**4**	30.3	**4**
Dillon Companies	24.4	**3**	18.4	0.6	11.9	**3**	18.9	1.3	20.4	**6**	19.1	**10**
Niagara Frontier Services	24.4	**4**	18.3	0.9	11.9	**4**	18.1	1.7	24.7	**3**	22.6	**8**
Albertson's	23.6	**5**	20.7	1.2	12.1	**9**	13.8	1.3	20.4	**7**	21.1	**9**
Natl Convenience Strs	23.6	**6**	29.0	1.6	11.4	**7**	14.0	1.8	18.9	**9**	26.4	**7**
Big V Supermarkets	23.1	**7**	21.5	0.7	14.0	**6**	15.3	1.2	23.0	**5**	29.1	**5**
Circle K	21.2	**8**	30.1	0.9	16.9	**8**	14.0	2.9	19.5	**8**	17.1	**12**
Weis Markets	20.6	**9**	19.3	0.0	19.4	**2**	20.6	4.7	13.4	**16**	16.1	**14**
Cullum Companies	18.8	**10**	22.7	1.0	13.0	**14**	10.6	1.3	18.8	**10**	28.7	**6**
Seaway Food Town	16.7	**11**	17.7	1.1	10.2	**12**	11.0	1.3	13.4	**17**	16.6	**13**
Marsh Supermarkets	16.6	**12**	15.8	1.4	8.5	**18**	10.4	0.9	11.4	**22**	17.4	**11**
Fred Meyer	16.4	**13**	12.3	0.7	7.9	**13**	10.8	1.7	15.9	**12**	15.5	**15**
Hannaford Bros	16.1	**14**	16.3	1.6	8.8	**15**	10.6	0.9	13.3	**18**	10.8	**21**
Penn Traffic	15.8	**15**	14.7	0.5	11.0	**10**	12.9	1.6	17.7	**11**	15.0	**17**
Giant Food	15.4	**16**	12.6	0.8	8.6	**20**	10.1	1.1	10.2	**23**	12.3	**20**
Godfrey	15.1	**17**	13.9	0.8	9.5	**19**	10.1	0.9	12.0	**20**	13.1	**19**
Pneumo	14.9	**18**	15.9	1.2	9.0	**11**	11.2	1.3	14.7	**13**	42.2	**1**
Ruddick	14.3	**19**	15.5	1.1	9.7	**21**	9.9	1.7	12.4	**19**	36.7	**2**
Waldbaum	13.6	**20**	13.1	0.9	8.5	**22**	9.8	0.7	14.2	**14**	13.7	**18**
First Natl Supermkts	12.9††	**21**	14.6	2.4	8.3	**17**	10.4††	0.5	41.5‡	**1**	–2.2‡	**23**
Thriftimart	12.7	**22**	14.6	0.2	12.5	**16**	10.6	1.4	5.8	**27**	D–P	
King Kullen Grocery	7.9	**23**	3.3	0.0	3.3	**23**	7.5	0.2	14.1	**15**	8.8	**22**
Foodarama Supermkts	7.2	**24**	def	0.4	def	**24**	6.9	def	5.3	**28**	D–P	
Fisher Foods	6.0	**25**	3.8	1.5	4.1	**25**	4.9	0.2	9.5	**24**	–14.8	**24**
Borman's	5.0	**26**	def	1.2	1.6	**26**	4.5	0.0	11.6	**21**	D–P	
Shopwell	4.1	**27**	6.4	1.4	5.1	**27**	3.8	0.4	7.8	**26**	15.4	**16**
Pueblo International	2.2	**28**	11.8	1.1	8.1	**30**	2.3	1.1	–7.5	**30**	P–D	**26**
Munford	2.1	**29**	3.0	1.6	4.1	**28**	3.6	0.4	9.1	**25**	–27.9	**25**
Arden Group	def	**30**	14.9	1.3	8.0	**29**	3.2	0.8	–7.0	**29**	D–P	
Medians	**15.6**		**15.2**	**1.0**	**9.3**		**10.6**	**1.3**	**13.8**		**16.4**	
Industry medians	**15.0**		**14.8**	**1.0**	**9.1**		**10.2**	**1.2**	**13.0**		**15.2**	
All industry medians	**15.8**		**16.1**	**0.4**	**11.0**		**11.1**	**5.0**	**14.3**		**13.9**	

Note: Explanation of Yardsticks calculations on page 49.
†Four-year average. ††Three-year average. ‡Four-year growth. P-D: profit to deficit. D-D: deficit to deficit.
D-P: deficit to profit; not ranked. def: deficit. NE: negative equity.

America's top independent food distributors are almost alone among U.S. businesses in finding inflation working to their advantage.



Wholesalers

Now here's some news. Inflation, which is gnawing away at most links in the nation's farm-to-home food chain, in certain ways is actually helping the biggest and best independent food wholesalers. The winners are Big Board firms like Fleming and Malone & Hyde. These low-profile companies compete indirectly with chains like Safeway, Kroger and A&P. Like the major supermarket chains, independent food wholesalers buy groceries from such manufacturers as General Mills or Procter & Gamble, but then, instead of distributing them to thousands of neighborhood Safeways, Krogers or A&Ps, they sell them to the nation's 116,000 independent grocery stores.

Perverse as it may sound, to some such companies inflation does little damage and in a couple of ways can be beneficial. First, it's forcing smaller, competing wholesalers out of business, causing them either to sell out to such top wholesalers as Fleming, Super Valu or Malone & Hyde or simply to close down and leave their territory up for grabs. The reasons are clear. The big wholesalers have the financial muscle to cope with inflation by building huge, low-cost warehouses. Their smaller competitors don't.

The problem isn't the inflation in food costs. Although food costs have been inflating at a 10% clip much of the last two years, wholesalers generally don't worry too much about it; they pass that inflation directly along to retailers Thus, because a food wholesaler's revenues are derived almost exclusively from food sales, if food prices go up 10%, so too will the wholesaler's revenues. But if overall expenses, which are tied not only to food inventory purchases but also to labor, leases and a host of other factors, rise less than 10%, a wholesaler's revenue growth outstrips his expense increase. Recently that's exactly what's been happening, and more of the same seems in store because the U.S. Department of Agriculture is forecasting a 10% to 15% food inflation rate this year.

Which is where those huge warehouses come in. Fleming, for example, added a Rapistan mechanized system to its mammoth Oklahoma City distribution center. The system enables an employee to pluck a box of food off a Fleming shelf and drop it onto a conveyor belt, which carries the box on a programmed trip, combining it with the other boxes of food scheduled for a particular truck and a particular customer parked at the loading dock. Through this, through other automation improvements and employee motivation programs, Fleming raised its warehouse productivity 6.7% in the first nine months of 1980. It is worth noting that some of its biggest gains came in work areas with little mechanization, meaning

Deregulation repercussions

Whatever else it does for the transportation economy, truck deregulation—effected last autumn in the Motor Carrier Act of 1980—is likely to have a major impact on the U.S. distribution system. Forget rates. Under deregulation, the FTC will permit private carriers to solicit backhaul traffic for the first time in nearly 50 years. Until now, a food wholesaler, for example, was permitted to deliver food from its warehouses to its grocery store customers in its own trucks but, to protect the franchise of the common carriers, the truck generally returned to the warehouse empty. Now, after dropping its load off at a grocery store, a wholesaler's truck will be able to stop off at one of its suppliers, load up with a shipment of Tide, Wheaties or whatever and haul it back to the warehouse for redistribution to the wholesaler's customers.

In the past, the manufacturers have never had much enthusiasm for backhauling. They have always preferred shipping their goods by common carrier at their convenience, rather than having to coordinate their operations with the trucking schedules of dozens of big customers. But that's only the half of it. The fact is, when backhauling becomes common practice, the manufacturers' uniform price structure will collapse.

Traditionally, a box of Tide, for instance, retails at the same price in Cleveland as it has in Phoenix, though obviously it costs Procter & Gamble more to ship to Phoenix from Cincinnati, for example, than it does to ship to Cleveland. P&G and most other manufacturers have been willing to settle for thinner margins in some places, fatter ones in others, simply to maintain uniform prices coast to coast. But all that ends if backhauling becomes widespread. Food distributors picking up Tide themselves will receive a backhaul allowance—a discount to compensate them for the freight charges P&G doesn't have to pay. That allowance will vary according to the customer's location and eventually will find its way into the selling price.

In effect, backhauling should serve to reduce the private carrier's fuel costs as well. According to a study made by Super Valu Senior Vice President John Morrissey, private truck operations run empty 29% of the time. If the trucks always ran fully loaded, Morrissey calculated, a wholesaler could indirectly cut his fuel bills by maybe a third. For a wholesaler like Fleming, which has a fuel bill of $6 million a year, the impact could be considerable. And Fleming's potential is nothing beside that of Safeway, whose giant in-house distribution operation has a fuel bill of around $30 million annually.

This year Fleming, for instance, will receive 22% of its merchandise by backhauling. By 1985 the company hopes to boost that to 30%-to-35%, a considerable increase seeing that about 40% of Fleming's merchandise now arrives by rail where no backhauling is available. There's another advantage: As diesel fuel costs spiraled after 1974, distant markets have become increasingly unprofitable. "We used to be able to service stores 200 to 250 miles away," says Super Valu President Michael Wright. "But if the truck came back empty, it was hard to make a profit. Now, if our truck comes back full, we can."—J.M.

programs to decrease absenteeism, say, are working. That is good management. For the industry as a whole in that period, productivity was roughly flat. That's why major companies like Fleming are enjoying sharp earnings gains and market multiples of 8 to 11 times earnings, far better than Safeway, Kroger or other major chains in the food business.

"Several years ago we recognized that from a retail standpoint, grocery sales weren't going to grow much, because the population growth is flattening," says Fleming President Richard Harrison. "So we looked for growth by making big capital investments in warehouse productivity."

Not only are small wholesalers getting out of the distribution business, so too are some of the moderate-size chains that have been operating their own distribution systems. "Some of these regional grocery chains are finding they can get a better return on capital in the retailing side of their business," argues Super Valu President Michael Wright. "So they're closing warehouse operations that have been keeping dollars tied up in the back of the stores, instead of up front where retailers' dollars really belong."

Distributors have yet another advantage in times of high inflation and high-cost money. Check any distributor's balance sheet and you'll see the edge—his payables are often 2 or 3 times larger than his receivables. That's because grocers are paying food wholesalers in a few days, while the wholesaler in turn waits ten days, and sometimes longer, to pay food manufacturers. Look at Fleming's most recent quarterly report. It shows $127 million in payables and $44 million in receivables. Thus Fleming is living off $83 million in its creditors' money. Not bad when the prime rate is hovering around 20%.

While inflation is strengthening the independent wholesalers' position, their recent sharp earnings gains—27% at Fleming and at Malone & Hyde, 17% at Super Valu—aren't attributable to luck alone. About half of the grocery sales in America come from independent grocers, anything from a one-store location to a small regional chain. If these independent grocers do well, so do the independent wholesalers who supply them.

At the moment, they're doing nicely. "There's a certain amount of intensity an owner-operator brings to a store, which a chain manager may not," says Super Valu's Wright. "The independents are buying up closed chain-store locations," he notes, "sometimes doubling the old store's sales."

Independent grocers don't have the support mechanisms that chain stores do, anything from helping choose a new location to financing the building and fixtures. So the strongest independent wholesalers provide them instead—lease guarantees, fixture financing or real estate expertise. Fleming, for instance, signs store leases and then sublets to an independent owner-operator. Super Valu has $76 million outstanding in lease guarantees and another $20 million in equipment loans to its independent customers, seed money that later will result in handsome rewards for Super Valu.

Heading into 1981, the best-entrenched food wholesalers are sitting in the catbird seat. Inflation is on their side, heavy capital investment is generating big productivity increases and the independent wholesaler's customer, the store owner-operator, is doing well. In trying times, those are nice fundamentals.—**John Merwin**

Wholesalers

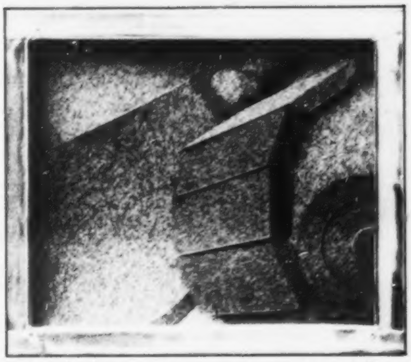
Yardsticks of management performance

	Profitability								Growth			
	Return on equity			Return on total capital					Sales		Earnings per share	
Company	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
Food distributors												
Super Valu Stores	28.2%	**1**	26.8%	0.6	18.1%	**1**	18.6%	1.3%	16.0%	**8**	25.6%	**1**
Farm House Foods	20.7	**2**	17.8	2.2	8.6	**8**	9.7	0.4	28.2	**1**	19.8	**2**
Malone & Hyde	19.7	**3**	18.8	0.6	14.2	**2**	17.0	1.4	17.4	**5**	15.5	**4**
Fleming Companies	17.7	**4**	18.2	0.7	12.5	**6**	12.7	0.7	15.8	**9**	11.5	**8**
Sysco	17.0	**5**	18.4	0.4	14.0	**5**	12.8	1.7	19.0	**2**	15.6	**3**
Wetterau	16.6	**6**	16.1	0.4	12.3	**4**	12.8	1.1	12.7	**11**	9.2	**10**
Nash Finch	16.0	**7**	12.7	0.4	10.2	**3**	13.4	0.9	14.7	**10**	10.2	**9**
Super Food Services	15.0	**8**	12.4	0.9	8.4	**9**	9.6	0.3	17.7	**3**	12.6	**7**
Flickinger	14.8	**9**	15.4	0.4	12.7	**7**	12.6	0.7	17.2	**6**	13.2	**6**
Pac Gamble Robinson	11.8	**10**	9.9	0.6	7.2	**10**	9.6	0.7	9.6	**14**	3.5	**12**
CFS Continental	9.4	**11**	11.1	0.6	8.1	**11**	7.2	1.1	17.5	**4**	0.9	**13**
Di Giorgio	9.3	**12**	8.1	0.9	5.8	**12**	6.8	1.0	11.4	**13**	14.3	**5**
Cal-Maine Foods	7.3	**13**	def	1.2	def	**14**	5.0	def	16.3	**7**	7.2	**11**
Coca-Cola Bottling NY	5.8	**14**	def	0.6	def	**13**	5.6	def	11.5	**12**	–10.1	**14**
Scot Lad Foods	def	**15**	12.5	1.3	7.6	**15**	0.7	0.5	3.2	**15**	P–D	**15**
Medians	**15.0**		**12.7**	**0.6**	**8.6**		**9.7**	**0.7**	**16.0**		**11.5**	
Other wholesalers												
Lowe's Companies	18.9%	**1**	12.4%	0.4	10.4%	**2**	14.6%	2.3%	17.2%	**1**	12.0%	**4**
Universal Leaf	17.8	**2**	18.8	0.4	15.7	**1**	16.0	2.6	8.5	**6**	17.6	**2**
Foremost-McKesson	16.8	**3**	15.2	0.6	9.9	**4**	9.6	1.6	8.5	**5**	9.2	**5**
Amer Hospital Supply	15.2	**4**	16.5	0.3	13.7	**3**	12.9	5.7	16.0	**2**	16.2	**3**
Univar	12.3	**5**	16.8	1.0	11.1	**6**	8.3	1.6	13.0	**3**	3.3	**6**
Bergen Brunswig	10.5	**6**	18.8	0.5	14.5	**5**	8.7	1.4	12.8	**4**	59.0	**1**
Medians	**16.0**		**16.7**	**0.5**	**12.4**		**11.3**	**2.0**	**12.9**		**14.1**	
Industry medians	**15.2**		**15.4**	**0.6**	**10.4**		**9.7**	**1.1**	**15.8**		**12.0**	
All industry medians	**15.8**		**16.1**	**0.4**	**11.0**		**11.1**	**5.0**	**14.3**		**13.9**	

Note: Explanation of Yardsticks calculations on page 49.
P-D: profit to deficit. def: deficit.

The shape of the American home is changing and, with it, the materials to build the less spacious but more costly homes of tomorrow.

Building materials



WITH HOME-BUILDING IN THE WORST SLUMP in five years and any improvement this year highly uncertain, building materials manufacturers are barely eking out a living. William D. Herbert, 60, is senior vice president of Jim Walter Corp., the Tampa, Fla.-based company that produces the nation's broadest line of building materials and builds homes as well. He is also president of Jim Walter's biggest single subsidiary, Celotex, which sells insulation materials, gypsum wallboard, hardboard siding and roofing material. So FORBES asked Herbert, a marketing man by training, to look a bit further into the future for trends in home-building that would have a bearing on his industry.

Despite all the talk about how housing is becoming too high priced for more and more home buyers, it seems that in actuality the quality of homes has been rising, floor areas getting larger and more amenities being added like fireplaces or central air-conditioning. What ever happened to the "no-frills" home that was going to provide affordable housing?

The "no-frills" home was the classic case of the dog-food manufacturer who developed the finest, most nutritious dog food in the world, but the dogs didn't like it. The buyers didn't like no-frills houses. There's still that element of pride in owning a home and having the same amenities as your neighbors and friends. At Jim Walter's home-building division a high proportion of our customers used to want a shell home (with minimum amenities) that the buyer could finish himself. Now it's the other way. A very high proportion of the homes we are now building are completely finished and actually bigger. That may change, but it hasn't yet.

The only housing segment doing well right now is multifamily construction. Is this the beginning of that change you mentioned?

We expect all houses to begin getting smaller simply because of the economics. Land costs are getting higher so you need more housing units per acre. The day that the average family could afford a four-bedroom 3½-bath house is nearly over. And yes, you will be seeing more attached houses, condominiums, duplexes, town houses. I wouldn't be surprised to see row houses, like those built back in the 1920s and 1930s, make a comeback, hopefully with more individuality than they had in those days.

How will this affect companies like yours that supply building materials?

Well, we will be selling less roofing, for example, because units will be smaller, but what we do sell will be heavier, of a higher quality. In certain areas, paint has gotten to be a real problem and people are tired of paying to have a house repainted every few years. So they are putting on vinyl siding instead, which lasts for 15 years. We think builders will be using less glass, because those houses and office buildings that are virtually built of glass are impossible to insulate. We don't expect any radical changes in construction in the next decade. People aren't going to decide to live in a cement igloo or an earth house. But there will be innovations and improvements in construction, particularly in energy conservation.

Are buyers becoming more concerned about the quality of materials that go into their homes?

Oh, yes, and again particularly in energy conservation. When your air-conditioning bill runs higher than the monthly mortgage payment, you get concerned about insulation. In the past, the consumer didn't know what materials were used in his house. As long as it had an acceptable kitchen, enough room for the kids and the price was right, he bought it. In the future the buyer is going to be more discriminating, more inquisitive of the builder about what materials he is using in the house. People will begin to ask for certain kinds of insulation and other materials by name.

Remodeling older homes, all the way from putting in more insulation to adding an extra room, has been a strong business for several years. Will it continue to be good business?

We sell building materials to subcontractors and mass merchandisers through wholesalers like Wickes or Moore's, who can go either way. Right now, they're going to the consumer. If it weren't for the remodeling market, we'd be destitute under present conditions. Not only is this a strong market now, but it

Jim Walter corporation

William Herbert, president of Jim Walter's Celotex subsidiary
Consumers are getting smarter about how houses are built.

looks good for the future. We had a consulting group talk to our marketing people and they're predicting that renovation is going to grow at a fantastic rate—14%—during the next ten years. With the cost of new housing today it really does pay to add an extra room. You can only go so long without a new roof before the water starts coming in. In our roofing business, 80% to 85% of our sales are ending up in reroofing residential and nonresidential buildings now.

What is going to happen with new home-building?

We know that the demographics say there is beginning to be a pent-up demand for housing, whether it's an attached house or a detached single-family house, as soon as the financing is such that buyers can handle it. What happens absolutely depends on Washington. If interest rates are 10% or less, you'll see as many as 2.5 million starts through the 1980s. At 12% to 14% maybe 1.5 million to 1.75 million. Over 16%, maybe half a million and those will be bought with cash. But people will have to get used to spending more money—or a higher percentage of their income—on shelter than they have in the past. If you look around at other countries, particularly Europe, you find that the share of income going to shelter is up to 50%. I don't know if we'll get to 50% but we're definitely going to have to pay more of our income for shelter than we have in the past.—**Kathleen K. Wiegner**

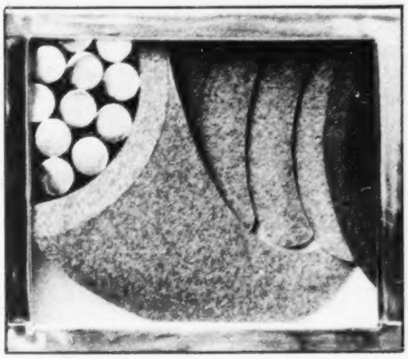
Building materials

Yardsticks of management performance

	Profitability								**Growth**			
	Return on equity			Return on total capital					Sales		Earnings per share	
Company	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
Lumber												
Willamette Inds	19.3%	1	17.3%	0.3	13.2%	1	13.7%	7.3%	18.6%	2	14.5%	3
Georgia-Pacific	18.0	2	12.7	0.5	7.5	4	10.9	4.9	16.2	3	13.9	4
Weyerhaeuser	17.7	3	14.3	0.5	10.5	2	12.3	8.5	13.1	4	12.0	6
Louisiana-Pacific	17.2	4	10.9	0.3	7.7	3	11.2	5.8	23.0	1	13.1	5
Champion Intl	15.3	5	11.3	0.5	7.6	6	9.0	4.6	9.8	8	10.5	7
Boise Cascade	13.2	6	11.4	0.5	7.9	5	9.7	4.5	12.1	6	134.1	1
Southwest Forest Inds	12.5	7	12.4	1.0	8.0	7	8.2	4.1	11.7	7	14.8	2
Edward Hines Lumber	7.2	8	def	0.2	def	8	7.0	def	12.3	5	0.7	8
Medians	**16.3**		**11.9**	**0.5**	**7.8**		**10.3**	**4.8**	**12.7**		**13.5**	
Cement and gypsum												
Ideal Basic Inds	17.9%	1	19.9%	0.5	11.3%	1	12.4%	14.8%	11.5%	3	15.3%	2
United States Gypsum	16.1	2	15.2	0.2	11.5	2	11.9	6.3	12.4	2	17.6	1
Lone Star Industries	14.6	3	16.1	0.4	10.9	4	9.7	6.7	9.3	4	14.5	3
National Gypsum	13.6	4	12.8	0.3	9.9	3	10.5	7.0	8.4	5	14.3	4
Gifford-Hill	13.5	5	9.7	1.7	4.1	5	9.6	2.9	15.9	1	11.2	5
Penn-Dixie Inds	def	6	def	0.8	def	6	def	def	4.1	6	P–D	6
Medians	**14.1**		**14.0**	**0.5**	**10.4**		**10.1**	**6.5**	**10.4**		**14.4**	
Other building materials												
Evans Products	18.9%	1	15.1%	0.7	10.4%	4	11.9%	3.2%	4.5%	14	43.2%	1
Owens-Corning Fbrgls	18.2	2	8.3	0.3	6.7	1	13.8	2.7	20.0	1	20.9	2
Jim Walter	15.6	3	11.3	0.7	7.9	8	9.9	3.8	10.2	7	9.4	9
Masonite	14.8	4	11.5	0.0	10.0	2	12.8	5.9	11.6	6	11.0	7
PPG Industries	14.3	5	14.7	0.4	11.0	7	10.7	6.3	12.1	5	13.7	4
H H Robertson	13.6	6	17.7	0.4	13.3	6	10.7	3.0	7.2	10	11.5	6
Bird & Son	13.4	7	0.5	0.0	0.4	3	12.4	0.2	15.2	2	2.3	12
DeSoto	13.3	8	13.5	0.3	10.9	5	10.8	3.8	5.7	13	20.5	3
Certain-teed	12.6	9	0.2	0.4	2.4	9	9.6	0.6	12.5	4	10.7	8
Interpace	12.4	10	8.7	0.3	7.0	12	8.4	3.6	6.4	12	13.4	5
Johns-Manville	11.5	11	6.4	0.4	5.7	10	8.8	3.6	14.4	3	8.8	10
Armstrong World Inds	10.6	12	8.7	0.2	7.4	11	8.6	3.7	9.5	8	5.8	11
Ceco	8.4	13	15.6	0.3	12.5	13	7.1	3.7	6.8	11	–2.9	13
Sherwin-Williams	4.3	14	10.0	1.0	5.9	14	3.7	2.1	9.2	9	–12.2	14
Medians	**13.4**		**10.7**	**0.4**	**7.7**		**10.3**	**3.6**	**9.9**		**10.9**	
Building equipment												
Dover	25.8%	1	28.0%	0.1	23.9%	1	21.7%	8.7%	16.0%	2	21.3%	3
Masco	24.7	2	24.0	1.1	12.9	4	15.9	9.9	24.0	1	21.3	2
American Standard	24.1	3	27.4	0.4	20.0	3	16.7	5.7	6.6	6	101.5	1
Norris Industries	19.3	4	9.5	0.1	9.1	2	17.4	3.9	10.7	5	14.2	5
Butler Manufacturing	16.5	5	12.7	0.2	10.7	5	13.8	4.3	12.4	3	11.4	6
Trane	13.2	6	16.0	0.2	13.2	6	10.8	4.8	12.0	4	14.2	4
Medians	**21.7**		**20.0**	**0.2**	**13.1**		**16.3**	**5.3**	**12.2**		**17.8**	
Industry medians	**14.5**		**12.6**	**0.4**	**9.5**		**10.8**	**4.2**	**11.9**		**13.6**	
All industry medians	**15.8**		**16.1**	**0.4**	**11.0**		**11.1**	**5.0**	**14.3**		**13.9**	

Note: Explanation of Yardsticks calculations on page 49.
P-D: profit to deficit. def: deficit.

For the copper industry, prices just aren't high enough to finance its expansion. The industry needs maybe $1.75 a pound to pay for the capacity its customers will need for the future.



Copper

People new to the industry tell us what a fine year we had in 1979," says George Munroe, chairman of Phelps Dodge Corp., the nation's number two copper producer. "Well, in 1979 Phelps Dodge earned 11% on stockholders' equity. That's not so good in a year when you had 11% inflation, is it? The copper industry went through a whole business cycle—from the peak of 1974 to the peak of 1979—without really participating until the tail end. So all we got was a little fillip; then the economy took a nose dive. We have a long way to go before profits are even respectable."

The industry finally began making reasonably good money in 1979, only to see the upturn aborted by a three-month strike and a recession. In 1980 Kennecott, Phelps Dodge and ASARCO slipped back. Only Newmont, thanks to its gold production, managed to top its 1979 record.

In 1981 copper's profitability mostly will depend on the pricing of those speculation-prone by-products—gold, silver, molybdenum—and the speed with which the U.S. economy recovers from its latest recession. As a result of these uncertainties, estimates on the average price of copper in 1981 range from 85 cents all the way to $1.10, *vs.* $1.00 last year. According to J. Clarence Morrison, metals analyst for Dean Witter Reynolds, a dime swing up or down could affect earnings by as much as 40%. Every penny per pound change, he figures, amounts to 15 cents a share for Kennecott, 16 for ASARCO, 12 for Newmont and 20 for Phelps Dodge.

There's more to the importance of the copper price, though, than its short-term impact on profits. Since 1971 the cost of building a fully integrated operation—mine, refinery and smelter—has risen from about $3,400 per ton of capacity to $8,000 or so. (Abroad, some estimate, it's more than $10,000.) To justify any new expansion, then, and still have those facilities meet the industry goal of a 15% return on investment, producers need far higher prices than they've gotten in years. Says Munroe: "It not only means betting several hundred million dollars that in three or four years the price will be substantially more than it is now, but that it at least will hold there as well. It takes a brave man to plug that kind of money into a $1 copper market when he needs $1.75 to make it go."

Munroe and the rest are hesitant because of the overcapacity and depressed earnings that resulted the last time they went on an expansion binge. Between 1970 and 1975, for instance, Phelps Dodge and Kennecott spent about $1 billion apiece. "In the first half of the Seventies," says Munroe, "we were the principal expander of U.S. production. Between that, putting sulfuric acid plants on our smelters and building new ones, we pretty much used up our financial muscle."

Fortunately for the industry, delaying any decisions to expand shouldn't cause a problem in the early Eighties. K.C. Hendrick, head of sales for Noranda Mines Ltd., estimates that by 1984 Free World mine production will increase to 7.3 million tons, up 2.2% a year from its 1977 peak. Though Hendrick expects refined consumption to reach 8.3 million tons, copper supplies will nevertheless be adequate, the difference being made up by scrap, which provided an average 36% of available supplies during the Seventies. Once the current recession ends, then, there ought to be a reasonable balance of supply and demand for a few years and a welcome run of steadier profits for copper producers.

Too, if more production is necessary, the industry always can add to existing U.S. capacity. Phelps Dodge, for example, is considering raising the output of its mines at Ajo and Metcalf, Ariz. by 50%. Estimated total cost: $250 million.

Trouble is, sooner or later producers are going to have to take a far deeper plunge. Hendrick of Noranda figures that for new mines the "capital required each year for an annual consumption increase of only 2% is in the order of $1 billion to $1.5 billion in 1980 dollars." That's about as much as the U.S.

Copper

Yardsticks of management performance

	Profitability								**Growth**			
	Return on equity			**Return on total capital**					**Sales**		**Earnings per share**	
Company	**5-year average**	**5-year rank**	**latest 12 months**	**debt/ equity ratio**	**latest 12 months**	**5-year rank**	**5-year average**	**net profit margin**	**5-year average**	**5-year rank**	**5-year average**	**5-year rank**
NVF	14.1%	**1**	7.9%	2.4	3.5%	**1**	11.5%	2.5%	9.3%	**3**	9.5%	**1**
Revere Copper	11.1	**2**	14.3	1.2	8.5	**2**	6.1	3.0	9.5	**2**	D–P	
Phelps Dodge	6.1	**3**	9.8	0.6	6.7	**3**	4.9	7.0	5.8	**4**	–8.1	**2**
Kennecott	3.4	**4**	5.7	0.4	5.8	**4**	3.7	4.0	13.3	**1**	–13.5	**3**
Industry medians	**8.6**		**8.9**	**0.9**	**6.3**		**5.5**	**3.5**	**9.4**		**–8.1**	
All industry medians	**15.8**		**16.1**	**0.4**	**11.0**		**11.1**	**5.0**	**14.3**		**13.9**	

Note: Explanation of Yardsticks calculations on page 49.
D-P: deficit to profit; not ranked.

industry may have to spend during the next five years on environmental controls, something that already cost a fortune.

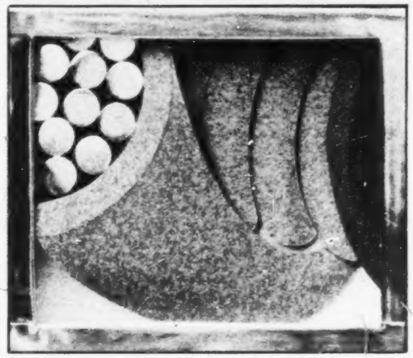
If the experience of Atlantic Richfield's Anaconda subsidiary is any indication of what's to come, the future is bleak indeed. Last year it closed a refinery and smelter in Montana because, despite having spent $80 million on antipollution measures at the smelter alone, it would have cost an estimated $400 million more to bring them up to environmental and health standards. No wonder Kennecott is hesitant about committing up to $400 million to build a new concentrator in Utah, not when it has to spend over $1.5 billion by 1984 to make its existing mines modern and competitive.

"During the last decade we had regulators impose costs on us ranging up to 15 cents a pound on a product that now only sells for $1," says Munroe. "Meanwhile, during the same period, the real price of copper went down by about 15%. Of all the primary nonferrous metals, copper did the worst. Now we're facing an entire second round of governmental requirements!" Then, taking a deep breath: "So if this industry is going to go anywhere our pricing had *better* improve."

Of course, this may happen precisely because producers hold off on new capacity. A shortage could drive up prices for a time. But as Munroe sees it, a price explosion isn't the answer. The industry needs not only high but also stable prices for a protracted period—not only to justify its expansion and to provide an adequate return, but to provide the return and still supply its customers' needs as well.

"If we get $1.75 copper," says George Munroe of his own company, "we should be earning $250 million to $300 million a year. And in constant dollars, that would only get us back relative to what we were earning in the late Sixties." It's not enough, but it's something.—**Thomas Jaffe**

For the diversified metals companies, expansion in gold and silver has become what the energy boom was a few years ago.



Diversified metals

THE OLD MINING SAW—"Gold is where you find it"—has been played so many times that by now you would almost hope it could be buried permanently. But as the leading diversified metals companies are proving, there is plenty more gold *and* silver to be found and some mighty powerful reasons for investing time and money to get at it.

"Precious metals projects that used to be in a stagnant inventory position on the exploration ledger," says Ronald Shorr, metals analyst at Bear, Stearns, "are now very much alive and have been moved to the head of the list."

Until a few years ago, the big diversified mining companies had better fish to fry. Precious metals prices were low, production volumes were small and, unless you turned up an extraordinary property, as Newmont Mining did in Carlin, Nev., gold and silver were the province of Homestake and Hecla, and the big diversified companies produced gold and silver, if they produced them at all, as a byproduct of their other minerals production. But all that has changed.

For the diversified metals company, gold and silver projects are especially attractive insofar as they generally require less capital and time to develop than volume metals like copper, lead and zinc. Later this year St. Joe Minerals starts full production at El Indio, a rich Chilean gold-silver-copper property. It will have taken over four years and more than $100 million to develop El Indio and build an adjacent mill and ore purifier. When Asarco opens its Troy, Mont. silver mine this year—with nearly 4.2 million ounces of annual capacity, the third-largest in the U.S.—it will have cost around $83 million and taken only three years to start up.

Strip-mining Nevada's Comstock Lode

An old vein for the new boom.

Meanwhile, at 1980 metals prices, El Indio could contribute more than $2 a share in earnings to St. Joe by 1982. That's around what the *entire* company earned in 1978. The whole investment may be paid off within 18 months. On the same pricing basis, Asarco's Troy mine should be generating more than $1 a share after 12 full months of production. The company now is considering the development of another pair of silver mines of at least Troy's size in Nevada and California, and by 1982 will have expanded the capacity of a Peruvian operation by 30%, to 1.7 million ounces.

Gold and silver have in fact become what energy was a few years back. There is a headlong rush into prospecting in South Africa, Australia, Canada, Mexico and elsewhere. Texasgulf is drilling for gold near its big Kidd Creek, Ont. mining complex. One site has an estimated annual output of up to 25,000 ounces; another may be richer. By 1983 St. Joe will be dredging as much as 100,000 ounces of gold at two California gravel deposits that have been worked for nearly a century. Last year AMAX, the leading producer of molybdenum, paid $403 million for Rosario Resources, involved in Latin American silver as well as in oil and gas. Rosario's 6.1-million-ounces-a-year output will nearly double the 6.3 million or more AMAX already produces either from custom refining or as a byproduct of other metals mines. "Rosario is just our first investment," says Michael Simeon, AMAX vice president for

More hostages to fortune

Until the 1973 oil embargo, few Americans had any idea of how dangerous U.S. dependence on foreign natural resources could be. But oil is almost the least of it. There are 62 other essential materials for which the U.S. is at least partly dependent on foreign resources, many of them even more critical in limited areas than oil is. Cobalt, for example, is essential to provide strength at high temperatures in jet engines, manganese in strengthening steel, platinum in producing catalytic converters, chromium in making stainless steel. Yet, whereas the U.S. imports only 40% of its oil, it imports 90% to 98% of its needs in these metals, largely from the Soviet Union, Zaire and South Africa. Between 1973 and 1978, the trade deficit in nonfuel minerals rose from $2 billion to $8 billion.

At the moment all these strategic materials, as they're called, are readily available and plentiful, but it doesn't take much to produce a crisis. In 1978 rebels disrupted the flow of cobalt from Zaire, and prices soared from $6 to $20 a pound (and as high as $55 on the spot market). In 1978 and 1979, the Russians sharply curtailed their exports of titanium sponge to Europe just as demand was increasing, and spot prices went as high as $20 a pound.

Washington has been studying the problem for years, and a new analytical report is slated to emerge from the White House soon. But there are only a limited number of responses to the problem, and the U.S. has only halfheartedly attempted to implement them in the past.

There's the National Defense Stockpile, of course, that collection of 62 strategic materials ranging from cobalt to castor oil stored at 113 locations and intended to tide the U.S. over three years of crisis. But the stockpile has never been kept up to snuff. Politicians have not hesitated to raid its coffers for political purposes, and 23 of its 62 materials fall at least 50% short of their specified goal.

Exploration offers another means of filling the gaps in our reserves. Tax incentives and the relaxation of environmental regulations could help corporations develop domestic supplies. Cobalt and platinum could probably be mined commercially in the West, and Alaska presumably still contains enormous riches.

An alternative to stockpiling or developing domestic reserves is substitution, and some companies have tried hard to find them. Pratt & Whitney, for example, uses a nickel alloy with columbium—100% imported, but from Canada and Brazil mostly—to replace nickel-cobalt alloy in turbine disks and so has reduced cobalt consumption 30% to 35% in one jet engine model. There are limitations to this technique. "All the easy substitutions have been made," says P&W Technology Group Vice President Richard Mulready. "It is getting harder to squeeze out more."

Obviously it's late for the U.S. to move to protect itself. But the vulnerability remains, and the longer the U.S. delays in coping with the problem, the greater it's going to become.—Van Wallach

corporate development. "In precious metals you have to string beads to make your necklace."

Newmont is exploring everywhere it can—and at the same time upgrading its existing gold operations. "We're still basically a copper company," says President Jack Thompson. Even in strike-torn 1980 copper accounted for about half of corporate profits. But gold is catching up fast. Last year it yielded Newmont about $75 million, up over 130% from 1979 or around a third of Newmont's total net. (Figure in cost-free by-product gold from copper production and it is more than $100 million.) By next year Newmont will have brought on 74,000 ounces of new annual production from the Maggie Creek property next door to its big mine at Carlin, Nev. at a cost of nearly $10 million. This price tag includes the building of a low-cost "heap leaching" operation, wherein acid seeps through an ore pile and in effect pushes out the gold. Simultaneously it is upgrading the feed ore going into its 95,000-ounce Telfer mill in Australia. Newmont recently announced a new find near Carlin that may hold *another* 1 million ounces of gold.

"There is an old adage in our industry," says Jack Thompson, "that minerals are where you find them. [Sound familiar?] You look everywhere for everything you can and with skill and plenty of luck you may discover some ore bodies a cut above the usual fare." As the number one U.S.-based gold producer, Newmont clearly has a leg up.—**Thomas Jaffe**

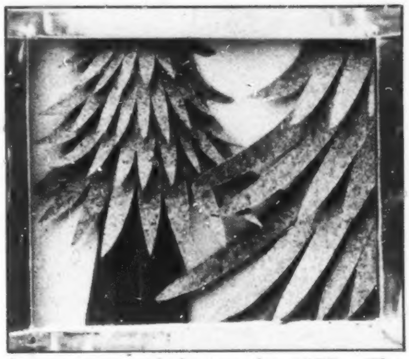
Diversified metals

Yardsticks of management performance

	Profitability								**Growth**			
	Return on equity			**Return on total capital**					**Sales**		**Earnings per share**	
Company	**5-year average**	**5-year rank**	**latest 12 months**	**debt/equity ratio**	**latest 12 months**	**5-year rank**	**5-year average**	**net profit margin**	**5-year average**	**5-year rank**	**5-year average**	**5-year rank**
Engelhard Minerals	31.8%	1	48.8%	0.2	40.3%	1	26.0%	2.1%	31.1%	1	27.4%	1
Handy & Harman	21.1	2	31.4	0.7	20.0	2	14.1	3.6	12.0	9	17.8	2
Texasgulf	15.4	3	36.4	0.3	20.3	7	9.5	28.1	12.6	8	7.0	5
St Joe Minerals	15.1	4	16.7	0.3	11.8	3	12.0	7.2	18.5	2	4.1	7
Newmont Mining	14.6	5	30.1	0.3	21.4	4	10.5	24.2	13.4	6	5.6	6
AMAX	14.0	6	23.4	0.4	17.2	5	10.3	16.1	14.8	5	10.7	3
ASARCO	11.8	7	23.8	0.2	19.0	6	9.7	13.5	7.6	10	8.1	4
Commercial Metals	11.8	8	22.1	0.3	17.5	8	9.5	1.5	17.6	4	0.1	8
Gulf Resources & Chem	10.3	9	12.6	1.2	7.1	9	7.3	3.0	18.2	3	–4.5	9
Inco	8.8	10	13.7	0.5	8.5	10	5.7	8.4	13.1	7	–5.7	10
Industry medians	**14.3**		**23.6**	**0.3**	**18.3**		**10.0**	**7.8**	**14.1**		**6.3**	
All industry medians	**15.8**		**16.1**	**0.4**	**11.0**		**11.1**	**5.0**	**14.3**		**13.9**	

Note: Explanation of Yardsticks calculations on page 49.

The industry can't do much about inflation, interest rates or recession. Instead it's attacking the problem of manufacturing efficiency.



Forest products

THE ERUPTION OF MT. ST. HELENS that began last May is about the most dynamic force in the forest products industry these days. The volcano destroyed tens of thousands of acres of timberlands, but at least that's a problem the industry's foresters know how to handle. Most of the problems the industry has faced are far less amenable—soaring interest rates, inflation, declining housing starts, a slackening paper market, a deepening recession. The result overall was about a 20% decline in industry earnings last year. Mt. St. Helens has now settled down, the recession has abated, at least temporarily, so 1981 looks like a better year, though the problems of inflation, high interest rates and low housing starts will remain.

Overall, most of the forces that drive the industry these days seem completely out of its control and likely to remain so. Under the new Reagan Administration, it is possible (though not likely) that interest rates will go down and stay down long enough to encourage home-building. In 1980 housing starts hit a five-year, 1.2 million low, though most industry experts agree that there's enough pent-up demand to support the 1.7-to-1.8 million starts the industry averaged during the 1970s. The government could also increase housing subsidies, or it could—as Reagan has already hinted—return some of the timberland taken from the industry for parklands in recent years. More fir, jack pine and redwoods on the books might not improve profits much in 1981 but certainly would improve the industry's long-term prospects.

In the circumstances there may not be much the industry can do about volume, but it can do something about its margins, and it is. "The number one issue in 1981 is better utilization of manufacturing assets," says Robert Schuyler, senior vice president and chief financial officer for Weyerhaeuser. "We *have* to improve productivity if we are to cope with the inflation in labor costs and materials that are the key factors in determining margins and earnings."

For Weyerhaeuser that means a record capital-equipment expenditure of some $1 billion in 1981. The major portion will go to expand their pulp and paper operations, including a new plant in Mississippi. Newsprint manufacturing plants in the Northwest

Forest products

Yardsticks of management performance

	Profitability								**Growth**			
	Return on equity			**Return on total capital**					**Sales**		**Earnings per share**	
Company	**5-year average**	**5-year rank**	**latest 12 months**	**debt/ equity ratio**	**latest 12 months**	**5-year rank**	**5-year average**	**net profit margin**	**5-year average**	**5-year rank**	**5-year average**	**5-year rank**
James River Corp Va	27.9%	**1**	21.5%	0.6	12.9%	**3**	15.5%	4.0%	52.6%	**1**	31.7%	**2**
Fort Howard Paper	25.8	**2**	23.3	0.2	18.5	**1**	22.4	17.6	17.4	**4**	22.3	**6**
Mead	20.6	**3**	17.7	0.5	12.0	**7**	12.3	5.1	11.9	**15**	23.6	**4**
Consolidated Papers	20.2	**4**	20.8	0.1	17.7	**2**	17.6	10.6	15.6	**6**	24.5	**3**
Willamette Inds	19.3	**5**	17.3	0.3	13.2	**5**	13.7	7.3	18.6	**3**	14.5	**12**
Kimberly-Clark	19.1	**6**	14.2	0.2	12.1	**4**	14.4	7.0	10.4	**20**	22.6	**5**
Union Camp	19.0	**7**	18.1	0.2	13.0	**6**	13.5	10.4	11.4	**17**	15.3	**9**
Georgia-Pacific	18.0	**8**	12.7	0.5	7.5	**11**	10.9	4.9	16.2	**5**	13.9	**13**
Weyerhaeuser	17.7	**9**	14.3	0.5	10.5	**8**	12.3	8.5	13.1	**10**	12.0	**16**
Louisiana-Pacific	17.2	**10**	10.9	0.3	7.7	**10**	11.2	5.8	23.0	**2**	13.1	**14**
Potlatch	15.6	**11**	9.2	0.6	6.5	**9**	11.2	5.5	11.3	**18**	15.8	**8**
Champion Intl	15.3	**12**	11.3	0.5	7.6	**16**	9.0	4.6	9.8	**21**	10.5	**19**
International Paper	15.0	**13**	9.8	0.4	7.7	**13**	10.1	5.5	10.8	**19**	12.0	**15**
Gt Northern Nekoosa	15.0	**14**	16.1	0.4	11.1	**12**	10.6	7.4	15.1	**7**	14.6	**11**
Westvaco	14.9	**15**	15.5	0.4	10.3	**14**	10.0	6.2	12.1	**13**	16.0	**7**
Boise Cascade	13.2	**16**	11.4	0.5	7.9	**15**	9.7	4.5	12.1	**14**	134.1	**1**
Federal Paper Board	13.1	**17**	16.9	0.7	8.9	**21**	7.7	6.1	8.6	**22**	7.0	**22**
Southwest Forest Inds	12.5	**18**	12.4	1.0	8.0	**20**	8.2	4.1	11.7	**16**	14.8	**10**
St Regis Paper	12.3	**19**	13.8	0.4	10.0	**17**	9.0	6.5	13.4	**9**	7.3	**20**
Crown Zellerbach	12.2	**20**	8.7	0.5	6.8	**18**	8.8	3.2	12.7	**11**	7.2	**21**
Scott Paper	11.4	**21**	12.6	0.4	9.2	**19**	8.4	6.3	12.3	**12**	11.8	**17**
Hammermill Paper	11.3	**22**	14.6	0.6	9.3	**22**	7.5	3.7	14.2	**8**	11.3	**18**
Industry medians	**15.5**		**14.3**	**0.5**	**9.7**		**10.8**	**6.0**	**12.5**		**14.6**	
All industry medians	**15.8**		**16.1**	**0.4**	**11.0**		**11.1**	**5.0**	**14.3**		**13.9**	

Note: Explanation of Yardsticks calculations on page 49.

Blowup

You saw it on TV: In one mighty, cataclysmic upheaval, Oregon's Mt. St. Helens awakened last May and sent over 3 billion cubic yards of earth, rock and ash flying under an atomic bomb-like plume that circled the globe 13 times so far and is still going. When it was over—at least for the moment—the mountain was 1,300 feet shorter, nearby Spirit Lake was turned into a mud-filled pond, and some 3 billion cubic board feet of logs and trees had been "removed" from the Mt. St. Helens topography like so many matchsticks swept away with a broom.

What had been prime Northwest timberland was now an area of agricultural devastation. Some 50% of the timber leveled belonged to the U.S. National Forest Service and the State of Washington, and so had no calculable commercial value. But the other 50% was strictly private, belonging primarily to Weyerhaeuser (473,000 acres), Burlington Northern (41,000) and Champion International (only 37). For both Champion and Burlington Northern the eruption was more frightening than costly. "The impact on our timber production was so small as to be quite inconsequential," says a Champion International executive in Connecticut. Burlington Northern was equally stoic, though the 640 acres it owns—or owned—at what was once the summit of the mountain is now part of the crater.

Timberfall at Mt. St. Helens

The recession was far worse.

But the stoicism wears a bit thin at Weyerhaeuser. As the major company at risk, Weyerhaeuser lost no time in getting teams onto the mountain after the eruption. What they didn't find standing was 36,500 acres of commercial-size timber. And so, in the third quarter last year, the company wrote off the devastation to the tune of $36 million aftertax, or 29 cents per share. The lost trees amounted to only 1% of Weyerhaeuser's timber base, but their value is a lot more than $36 million, which was calculated at the 1913 historic value of the trees. In current value, the loss is probably 10 times that. "We're a big company, we can take it," says Robert Schuyler, senior vice president and chief financial officer for Weyerhaeuser. "We'll grow timber on Mt. St. Helens again."

You can bet, however, that for the moment Weyerhaeuser will content itself with salvaging the kindling sticks in reforesting the land no nearer than 12 miles from the volcano. Any closer work will have to await the volcano's return to slumber.—M.K.

and its linerboard facility in Oklahoma are also scheduled for expansion. "Housing will come back and we have strong prospects for North American pulp and paper producers. We have to be ready to meet that demand," says Schuyler.

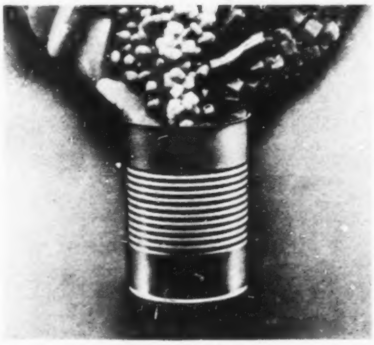
At Crown Zellerbach, Chairman and CEO C.R. Dahl is one year into a $1.5 billion capital-improvements program of his own. "The things we're doing can't help us in 1981," says Dahl, "but they certainly will help us long term."

That's not just wishful thinking. Ft. Howard Paper, for one, could see earnings rise by nearly 20% in 1981, despite the lingering recession. The reasons? One is that Ft. Howard has some of the newest and most sophisticated equipment and technology, and this, coupled with its use of recycled wastepaper fiber rather than standard pulp, has given it profit margins significantly higher than the industry's 6% average.

Says Dahl, "The first six months of 1981 are going to look like the last six months of 1980. But housing looks good for the decade and so does pulp and paper. By 1982 we'll be into full recovery and that's when our expenditures today are really going to begin to pay off."

Besides modernizing, Crown Zellerbach is hedging its bets outside the industry. Last fall it announced it was stepping up the leasing of most of its 640,000 acres of timberland in Louisiana and Mississippi for oil exploration. No big gusher has come in so far and Dahl warns that one may never materialize. "You have to remember this is all wildcatting," he cautions. "We're not talking about development wells." But the time seems right for forest products companies to take a closer look at their mineral rights. Weyerhaeuser already has. Laments Schuyler, "I guess God didn't favor us because, out of the 6 million acres of timberland we have in the U.S., we've only got two or three producing wells."—**Michael Kolbenschlag**

Economics and regulation are setting off a new burst of innovation in packaging.



Packaging

In the packaging business, the battle of materials has gone on for decades now with paper supplanting steel, aluminum supplanting glass, plastics supplanting everything. Take the beer and soft-drink market, which accounts for some 61% of industry sales. For at least the past 20 years bottlemakers and canmakers have slugged it out. Now the plastic-bottle makers have jumped into the fray and captured 20% to 25% of the soft-drink market in only two years.

What is novel this year is the search for new packaging products and manufacturing innovations, inspired by the high energy costs in glassmaking, impending government regulation concerning the lead content in cans, and competition from plastic. Says Arthur M. Stupay, packaging analyst at Prescott, Ball & Turben: "There are profound changes taking place in this industry. There will be more new packages in 1981 than in any year of the 1970s."

Some of the innovations Stupay cites are evolutionary and energy-saving ones, such as continuing weight reductions in bottles and cans. Others mark shifts in marketing strategies—like streamlined Michelob-like beer bottles intended to promote a chic, top-of-the-market image.

These changes are minor, however, compared to the major retooling expected in both glass and can plants in the next five years. The glassmakers were caught off guard by the success of the 2-liter plastic bottle, a cheaper, lighter-weight package that pushed glass completely out of the large-size segment of the soft-drink markets. Now plastic-bottle makers, like Continental, Dorsey and Owens-Illinois, are eyeing the single-serving segment. As Coca-Cola is already testing Continental's half-liter plastic bottle, glassmakers like Ball, Brockway and Anchor Hocking are scrambling to maintain their dominance.

The big deal among glassmakers these days is productivity—knowing how to make a 16-ounce glass bottle, already cheaper than the rival half-liter plastic one, even cheaper yet. The first step: standardizing bottle shapes. The customized bottle, like the curvaceous Coke classic, is a relic. Now virtually all soft drinks come in squat 7-, 10- or 16-ounce containers, distinguished only by styrofoam labels. Owens-Illinois, a leader in 2-liter plastic bottles, came up both with the single-serving glass design and the labeling—called the Plasti-Shield bottle—which it is licensing to competitors.

In addition to the cost savings of uniformity, the big push in glass bottles this year will be for energy cost savings in manufacturing. Glass is made today much as it was 4,000 years ago: sand, limestone and soda ash are blended and then heated to some 2,500 degrees Fahrenheit. During that process some 60% to 70% of the energy escapes the furnace and 15% of the product is discarded because of imperfect blending.

Ball Corp., one of the glass technology leaders, is developing new manufacturing efficiencies designed both to conserve energy and to increase usable output, widening the 25% cost advantage glass now has over plastic in small beverage sizes. "The glass industry will change more in the next 10 years than it has in the past 100," asserts Clifton J. Reichard, Ball's vice president in charge of commerical glass sales. What is Ball doing? First, shaping that sand, limestone and soda ash into briquets, much like the charcoal ones you use in your barbecue. That ensures consistency of mixture and reduces waste. Next, those briquets travel through a pipeline that captures heat escaping from the furnace. That preheating of the briquets should save Ball some 35% in energy costs; the entire system is expected to be in place in the first of Ball's eight glassmaking plants in about two years.

While glassmakers are responding to competitive threats from plastics, canmakers are reacting to impending FDA edicts. The FDA doesn't want children eating foods with a high lead content, and a lot of that lead seeps into the food from the soldered seam on the side of the cans. Canmakers are retooling for new technology, either *welded* three-piece cans (eliminating *soldered* seams) or two-piece cans, where there are no seams at all—only the cup and the stamped-on top.

Two-piece cans are already a standard beverage container. Made of lightweight aluminum, they derive their strength from the mass of the carbonated liquid inside. Aluminum, however, isn't strong enough to hold less-dense food, so for the moment at least, steel-can makers don't face the aluminum threat that ran them out of beverage containers. The two-piece steel can, however, is a more difficult technology to master, because the steel itself must be coated with a rust-preventing substance, like tin—a coating that must be flexible enough to move with the metal when drawn over a die.

Continental is shifting to the Conoweld three-piece can, having yet to perfect the two-piece steel technology on a cost basis. But American Can, according to its vice president of food metal packaging, Robert J. Moran, *has* perfected the process, making it cost-competitive with both the three-piece traditional soldered and newer welded cans. In fact, American Can has already signed an agreement with Green Giant to start putting Green Giant vegetables into two-piece cans this year. "Over 10% of our can output will be two-piece in 1981," Moran states, adding, "that percentage will grow dramatically in the next five years."—**William Harris**

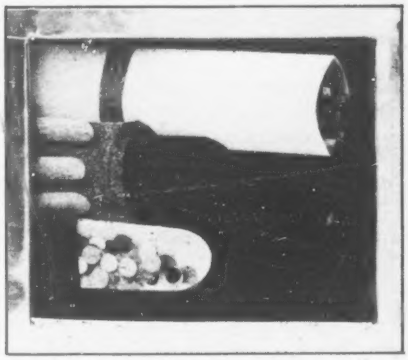
Packaging

Yardsticks of management performance

	Profitability								Growth			
	Return on equity				Return on total capital				Sales		Earnings per share	
Company	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
Sonoco Products	17.3%	1	18.0%	0.1	14.6%	2	14.6%	6.5%	14.2%	7	17.1%	3
Longview Fibre	16.7	2	9.3	0.0	8.8	1	15.3	4.9	11.7	10	10.1	12
Crown Cork & Seal	16.6	3	15.3	0.0	13.5	3	14.1	5.0	14.4	5	16.3	6
Stone Container	15.4	4	21.7	0.6	12.8	8	9.8	5.7	13.0	9	11.5	9
Ball Corp	14.9	5	15.6	0.6	9.8	4	10.6	3.9	16.7	2	15.0	7
Maryland Cup	14.5	6	15.0	0.5	10.6	7	10.1	4.5	16.6	3	16.9	4
Dorsey	13.4	7	12.7	0.7	7.9	11	9.2	2.0	20.5	1	19.1	1
Anchor Hocking	13.2	8	10.0	0.3	7.9	5	10.4	3.3	13.5	8	10.1	13
Continental Group	13.0	9	14.1	0.5	9.1	9	9.4	4.7	9.0	15	13.6	8
National Can	13.0	10	19.7	0.5	13.4	10	9.3	3.5	14.4	6	9.4	14
Kerr Glass Mfg	12.4	11	8.9	0.5	6.9	12	9.0	2.7	11.7	11	18.7	2
American Can	12.1	12	8.6	0.4	6.2	14	8.5	1.9	11.3	12	16.7	5
Diamond Intl	12.0	13	8.4	0.2	7.6	6	10.3	3.5	10.0	14	2.8	17
Owens-Illinois	11.5	14	12.6	0.5	8.6	16	7.9	3.8	11.1	13	10.5	11
Bemis	11.3	15	7.4	0.4	5.5	15	8.0	1.7	5.5	17	10.7	10
Brockway Glass	11.0	16	9.0	0.4	7.0	13	8.7	2.6	15.0	4	6.7	15
Saxon Industries	5.3	17	6.3	1.0	4.8	17	4.3	1.1	8.6	16	4.8	16
Industry medians	**13.0**		**12.6**	**0.5**	**8.6**		**9.4**	**3.5**	**13.0**		**11.5**	
All industry medians	**15.8**		**16.1**	**0.4**	**11.0**		**11.1**	**5.0**	**14.3**		**13.9**	

Note: Explanation of Yardsticks calculations on page 49.

Genetic engineering is the hottest thing in the drug industry right now. No one, however, has made any money from it so far.



Drugs

GENE SPLICING. GENETIC ENGINEERING. Recombinant DNA. A decade ago this was the stuff of science-fiction fantasies. Today investors are pouring millions of dollars into it, developing ways to combine genetic material from different organisms to create living factories. The potential products range from medicines and chemicals to—as some wild-eyed dreamers suggest—new plant breeds that need less fertilizer and can tolerate drought, salt water and harsh climates.

Not the least of the major developments in the fast-growing field in 1980 was the U.S. Supreme Court decision in June that allowed man-made organisms to be patented. In December the first patent was granted to Stanford University, one of the pioneers in the field. It is, however, still unclear how patents will clarify issues of ownership and distribution of profits, to say nothing of who will share research with whom when money as well as scientific advancement are at stake.

So far, in addition to major universities, at least nine major U.S. pharmaceutical companies, four big research firms and seven smaller companies are involved in the new field. But although each new announcement of a breakthrough is greeted with wild enthusiasm by investors, sending stock prices for genetic engineering companies soaring, the millions invested so far have yet to produce a profit. The field, after all, is still in its infancy. So everybody talks about genetic engineering, but many are still uncertain of what it is and what it can do. Here are some questions and answers.

What is genetic engineering?

Put simply, genetic engineering (a/k/a gene splicing and recombinant DNA) is the recently developed technique of taking genetic material from one organism and implanting it in another, creating a new life form. The genes can come from any type of cell—human, animal, plant—and, theoretically, new genetic material can be implanted in any kind of cell, making it possible to give new characteristics to more complicated organisms.

If no one's making any money out of genetic engineering yet, why is everyone so excited about it?

Because the potential is thought to be enormous. The gene-splicing techniques developed so far can produce purer insulin for diabetics, a growth hormone to treat dwarfism, and interferon—a substance that has been touted for fighting viruses and cancer but is terribly difficult to obtain in useful quantities without using recombinant DNA techniques. All three of these substances have been successfully produced in experimental laboratories through gene splicing and could signal the beginning of a new generation of money-making miracle cures. Recombinant DNA is also thought capable of producing cheaper and better chemicals, vaccines and even food. In agriculture, gene splicing could theoretically speed up the development of new varieties of plants that must now be laboriously crossbred over generations, increasing yields both at harvesttime and from processing, as in the case of alcohol fermented from grain. Scientists have developed gene-spliced bacteria that are said to be able to gobble up oil spills.

Can genetic engineering be applied directly to human beings?

Apparently so, but the whole idea is highly controversial. Dr. Martin J. Cline of the University of California performed the first known genetic-engineering experiments with humans this year on two women in Italy and Israel who were suffering from a hereditary blood disease. The experiments triggered an

Drugs

Yardsticks of management performance

	Profitability								Growth			
	Return on equity			Return on total capital					Sales		Earnings per share	
Company	5-year average	5-year rank	latest 12 months	debt/equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
Ethical drugs												
SmithKline	33.4%	1	38.1%	0.2	35.6%	1	28.6 %	17.3%	19.1%	1	24.7%	1
Merck	25.8	2	25.1	0.1	21.4	3	21.8	15.7	12.7	7	12.9	4
Schering-Plough	24.3	3	23.5	0.0	21.9	2	23.5	14.5	14.6	3	14.3	3
Eli Lilly	21.6	4	21.3	0.0	20.9	4	21.0	14.0	14.1	4	12.0	5
Upjohn	21.1	5	22.4	0.3	16.1	5	15.3	9.8	15.4	2	16.0	2
Pfizer	17.7	6	17.6	0.4	13.6	7	13.3	8.4	12.9	6	10.7	6
A H Robins	16.5	7	18.4	0.1	17.1	6	14.6	11.6	12.9	5	8.5	7
Squibb	15.1	8	13.1	0.4	10.1	8	11.5	7.7	9.2	8	7.4	8
Medians	**21.4**		**21.9**	**0.2**	**19.0**		**18.2**	**12.8**	**13.5**		**12.5**	

Note: Explanation of Yardsticks calculations on page 49.

Drugs

Yardsticks of management performance

	Profitability								Growth			
	Return on equity			Return on total capital					Sales		Earnings per share	
Company	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
Proprietary drugs												
American Home Products	32.4%	1	32.8%	0.0	32.9%	1	32.4%	11.7%	10.9%	3	12.2%	2
Bristol-Myers	22.2	2	22.4	0.1	20.1	2	20.3	8.5	12.0	2	13.8	1
Sterling Drug	16.0	3	16.4	0.1	14.6	3	14.7	7.2	10.9	5	5.5	4
Richardson-Merrell	14.8	4	16.2	0.1	15.0	4	13.2	6.9	13.5	1	10.1	3
Warner-Lambert	14.2	5	12.0	0.4	8.7	5	11.0	4.4	10.9	4	3.4	6
Morton-Norwich	11.3	6	14.4	0.3	10.6	6	8.8	5.2	9.9	6	5.0	5
Medians	**15.4**		**16.3**	**0.1**	**14.8**		**14.0**	**7.1**	**10.9**		**7.8**	
Industry medians	**19.4**		**19.9**	**0.1**	**16.6**		**15.0**	**9.2**	**12.8**		**11.4**	
All industry medians	**15.8**		**16.1**	**0.4**	**11.0**		**11.1**	**5.0**	**14.3**		**13.9**	

Note: Explanation of Yardsticks calculations on page 49

investigation by the National Institutes of Health and Dr. Cline was denied permission to perform similar experiments in this country by the university.

Which companies are involved in genetic engineering?

Eli Lilly and Co. is investing $40 million in a facility to produce human insulin using recombinant DNA techniques. The biosynthetic insulin is being tested on human beings in Europe and the U.S. Merck & Co. Inc. has invested $23 million in a genetic research laboratory. G.D. Searle & Co. has announced plans to put $15 million into a pilot plant to develop products using genetic engineering. The Dow Chemical Co. has a $5 million agreement with Collaborative Genetics, a small Massachusetts firm, which will give Dow access to any genetic-engineering technology developed by the company. Other pharmaceutical companies putting money into genetic engineering include Pfizer Inc., Abbott Laboratories, the Upjohn Co., Smith Kline & French Laboratories, Schering-Plough Corp. and Bristol-Myers Co. A leader among the research firms in the field is Genentech Inc. of San Francisco, which worked with Lilly on insulin and with Hoffmann-LaRoche on interferon. The oldest of the major genetic-engineering firms is the Cetus Corp., which concentrates on industrial and agricultural uses for genetic engineering.

What is the commercial role of the universities in this new field?

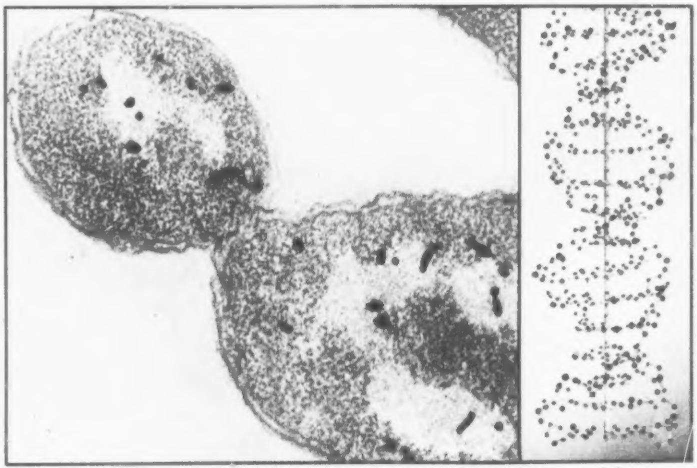
The universities themselves don't know yet. Prominent professors are popping up on the boards of genetic-engineering companies, like Harvard's Walter Gilbert, chairman of Geneva-based Biogen SA's scientific committee and cochairman of its board of directors. Harvard itself toyed with the idea of getting into the for-profit genetic-engineering business but dropped the idea, partly for fear that research-for-profit might cut off or slow down important but commercially useless basic research. There are also bound to be more legal wrangles over who owns what and who gets the profits, such as the one between the University of California and Hoffmann-LaRoche over a cell line developed by university researchers, which Hoffmann-LaRoche obtained and plans to use commercially to produce interferon.

What factors could hold back growth in the field?

Initial fears that genetic-engineering research would unleash monster microorganisms on an unsuspecting population have waned and even the National Institutes of Health has relaxed research guidelines to permit much freer investigation. The big new worry is whether researchers who have traditionally shared details of new discoveries will withhold vital information from potential marketplace competitors, and thereby delay scientific breakthroughs. The University of California-Hoffmann-LaRoche legal squabble is said to have made university researchers much more cautious about sharing information. No one knows how well patents will protect new discoveries, and until that is straightened out—it is expected to be a lengthy and litigious process—scientists may well guard their secrets from each other.

Couldn't genetic engineering be just a flash in the pan?

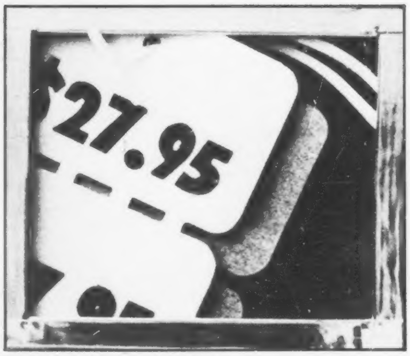
Anything is possible. Testing on the first products of genetically engineered molecular factories is far from complete. Even the widely publicized potential of interferon as a cancer fighter is based on very limited experiments. It may take years and millions more dollars before useful products are developed, tested—proven—and the danger of side effects or aftereffects eliminated. The profit payoff could be even further down the road. But right now scientists, drug companies and Wall Street all seem to be saying that genetic engineering will be to the Eighties what microelectronics was to the Seventies.—**Ann Hughey**



Electron-microscope autoradiograph of DNA (left) *and DNA model*

Gene splicing is the stuff millionaires are made of.

With retailers aggressively pursuing the discount and high-fashion specialty business, the old-line general merchandiser may well become a relic of the past.



General retailers

IN TODAY'S TOUGH RETAIL CLIMATE, no one can afford to be all things to all people, and many of the major department store chains are deciding to take after K mart and Macy's (FORBES, *Nov. 10, 1980*). K mart's pioneering discount stores and Macy's successful foray into higher-priced fashions have set the trend for merchandising strategies that are becoming increasingly widespread.

As the problems of outfits like J.C. Penney, Sears, Roebuck, Gimbels, Montgomery Ward and Higbee make clear, the general merchandiser is losing ground at one end of the market to the trendy fashion stores and at the other end to the discounters—not the old-style discounters like Korvette or Fed-Mart, which have had troubles of their own, but new-style discounters like K mart, Wal-Mart and Caldor, whose style has supplanted theirs. "Because they have catered to the nebulous concept of a middle-income customer, the general merchandisers now are left with a somewhat undefined character, blurring the value image they once projected to shoppers," says Walter Loeb, retail analyst at Morgan Stanley. "The middle market eventually will disappear."

Higher energy costs and higher taxes have left less than 8% of a family's disposable income available for clothing and accessories, versus nearly 10% in 1960. One might expect people to look for bargains at a time when inflation is squeezing family pocketbooks, but consumer psychology doesn't entirely work that way. Sure, inflation makes people hunt for the lowest prices in staples, say, but in other areas it makes them heedless of money and willing to pay $50 for a pair of "designer" blue jeans.

To capitalize on this contradictory trend, retailers like Macy's, Carter Hawley Hale and J.C. Penney are stocking more expensive, trendy merchandise, while outfits such as Dayton-Hudson, Montgomery Ward and Federated are pouring more money than ever into attracting the discount-store shopper. It's all but certain, however, that the growth of the discounters—accounting for over half the $100 billion retail market—and of stores selling fashion and brand-name items, will come out of the hides of those department stores that have traditionally catered to "middle-income" customers—Marshall Field and Gimbels, Penney and Sears.

In an effort to reverse its dismal earnings record, Montgomery Ward, which reported a nine-month loss of $124 million last year, is trying to transform itself from a general merchandise retailer into a "promotional discount store" chain. It has already opened 46 Jefferson Ward outlets that feature centralized checkouts, self-service and heavy sales promotion, and it plans to convert more than 100 of its 430 stores into Jefferson Ward outlets over the next three years.

No department store chain has been pursuing the discount business more aggressively than Minneapolis' Dayton-Hudson Corp., whose 830 stores in 45 states grossed about $4 billion last year. Nearly 90% of Dayton-Hudson's $2 billion capital

Booming with Bloomie's

This may be a shock to its devotees, but in the 1940s New York's Bloomingdale's—today's trendiest, most innovative force in U.S. upper-crust retailing—was a drab bargain store where the maids of wealthy New Yorkers shopped. Today, it's a star performer in the $5.8 billion Federated Department Stores stable with an image that attracts customers to buy premium-priced underwear and umbrellas because the items are printed with Bloomie's name. The flagship store of its 15-store chain, located on 59th Street in Manhattan, moves merchandise at an astonishing rate of $450 per square foot of sales space—4 times the national average.

Bloomie's Traub

How did this dowdy matron transform herself into a sleek young fashion plate? By turning shopping into entertainment. By combining aggressive merchandising with show business, Bloomie's makes sure that—whether one loves it or hates it—every shopper knows what it stands for: the *in*most of consumerism with the most *in* of consumers. On any given Saturday, customers can hear live musicians or watch celebrities like Diane Keaton, Danny Kaye and Richard Nixon shop. Building that image over the years was a line of strong managers. Says Chairman Marvin Traub: "We have enormous continuity of management. Over the past 33 years, we've had only six guys in the two top posts. That's one of our greatest strengths."

Bloomingdale's pioneered the chic "boutique" concept—clustering small specialty stores inside a large old-line department store. Other retailers quickly copied the concept, Macy's perhaps most successfully of all. Under Traub, 55, Bloomingdale's has gone on growing—partly because Bloomie's keeps setting the trend, not following it. These days, it's keeping ahead of the pack with storewide spectaculars. The latest was a seven-week China promotion for which executives and buyers made 130 trips to the People's Republic, brought back $14 million worth of merchandise and lined up corporations to sponsor displays like 20 imperial robes from the 17th to 19th centuries never before taken out of Peking.

Bloomie's parent, Federated, gives Traub a lot of freedom. In exchange, Bloomingdale's sales are expected to grow by at least 10% in a recession-stricken year—up from $518 million, or 9% of Federated's 1979 revenues. Federated, by contrast, will be lucky to rise 8%.—Flora S.H. Ling budget for the next five years will go toward expanding its Mervyn's and Target upscale discount stores and its B. Dalton Booksellers. In planning to build 600 discount and specialty stores by 1985, Dayton-Hudson is all but abandoning to the competition its traditional middle-of-the-road department store business.

"The general merchandise department store is getting squeezed as its traditional customers find their incomes ravaged by inflation," says Richard L. Schall, Dayton-Hudson's vice chairman. "The discount and specialty stores have the greatest potential for future growth, and our shareholders will be better off as a result of our new focus."

While it doesn't plan to shortchange its fashionable Bloomingdale's, Filene's or Bullock's stores, Cincinnati-based Federated Department Stores is doubling the capital budget of its Richway and Gold Circle discount operations.

Going in the opposite direction is Carter Hawley Hale. The big west coast retailing outfit, which owns the high-fashion Neiman-Marcus and Bergdorf Goodman stores, is now upgrading merchandise at its flagship Broadway stores, traditionally a middle-market retailer, as well as at its Emporium Capwell, Thalhimers and John Wanamaker operations.

Philip Hawley, president and CEO of Carter Hawley Hale, says: "Like Macy's, our Broadway stores are going after a customer less and less willing to be handled as if she were an IBM card. She wants an individualized shopping experience." Hawley could have added, but didn't, that if the customer is going to be treated like a cipher she expects extremely low prices in return. Retailing thus is becoming increasingly polarized between cheap and trendy. This is bad news for outfits like Sears that are positioned so firmly in the middle of the market.—**Nick Galluccio**

General retailers

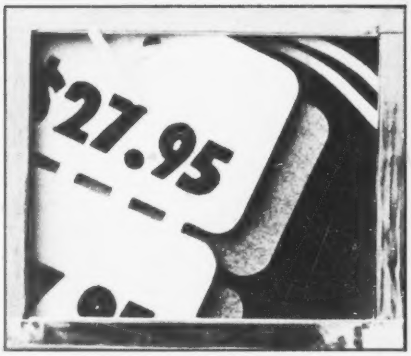
Yardsticks of management performance

	Profitability								Growth			
	Return on equity			Return on total capital					Sales		Earnings per share	
Company	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
Department stores												
Dayton-Hudson	24.3%	1	17.1%	0.2	14.7%	1	17.6%	4.4%	15.1%	2	29.4%	1
R H Macy	16.4	2	19.2	0.4	13.2	4	11.1	4.3	10.8	6	19.3	2
Federated Dept Stores	14.7	3	15.9	0.2	13.2	2	12.9	4.3	12.3	4	9.6	7
Mercantile Stores	14.2	4	11.5	0.4	9.1	3	11.5	3.4	12.3	5	9.9	6
Garfinckel Brooks Bros	13.6	5	12.7	0.7	9.5	7	9.8	3.2	10.2	9	8.3	9
May Dept Stores	13.6	6	13.6	0.7	8.7	9	9.2	3.6	10.3	8	11.0	5
Allied Stores	13.2	7	11.3	0.5	8.4	8	9.4	3.6	5.8	15	13.4	4
Carter Hawley Hale	12.8	8	12.5	0.8	7.6	11	8.2	2.7	14.3	3	5.0	12
Carson Pirie Scott	12.6	9	9.9	0.7	6.8	10	8.3	2.4	5.6	16	15.7	3
Sears Roebuck	11.9	10	7.5	0.3	6.5	6	9.9	2.2	9.3	11	5.6	11
J C Penney	11.9	11	8.2	0.3	6.6	5	10.0	1.8	10.4	7	6.3	10
Strawbridge & Clothier	10.3	12	9.2	0.7	6.9	12	8.1	2.8	9.5	10	8.9	8
Dillard Dept Stores	9.7	13	8.5	1.1	5.7	14	6.4	1.7	18.6	1	4.2	14
Associated Dry Goods	8.8	14	9.5	0.3	7.9	13	7.4	2.6	7.0	13	0.1	15
Marshall Field	7.1	15	5.5	0.4	4.5	15	6.1	1.7	8.2	12	–3.4	16
Alexander's	5.9	16	1.6	1.2	2.6	16	4.2	0.2	6.1	14	4.4	13
Goldblatt Brothers	def	17	def	0.8	def	17	def	def	2.8	17	P–D	17
City Stores	def	18	def	NE	def	18	def	def	–3.8	18	D–D	18
Medians	**12.3**		**9.7**	**0.6**	**7.3**		**8.8**	**2.7**	**9.9**		**7.3**	
Discount and variety stores												
Wal-Mart Stores	31.0%	1	29.1%	0.8	18.8%	1	21.6%	3.2%	40.7%	1	34.7%	2
Caldor	25.8	2	26.6	1.2	13.4	2	16.6	3.3	22.7	2	24.6	3
Heck's	18.9	3	20.0	1.0	11.6	3	14.5	3.8	22.4	3	18.9	4
K mart	18.5	4	12.3	0.8	8.7	4	14.2	2.0	18.8	5	17.5	5
Kings Dept Stores	18.1	5	9.0	0.9	6.5	5	13.8	1.5	13.1	8	11.7	8
Household Finance	14.7	6	12.3	1.9	6.0	10	7.0	2.4	13.3	7	8.0	10
Hartfield-Zodys	14.3	7	9.1	1.5	6.0	9	7.2	1.2	6.8	14	D–P	
Rapid-American	12.9	8	7.8	2.7	6.5	12	6.4	1.0	0.1	15	D–P	
Rose's Stores	12.5	9	12.5	0.2	11.0	6	11.2	1.7	8.4	11	17.1	6
F W Woolworth	12.3	10	12.6	0.6	8.3	7	8.2	2.2	10.7	10	10.4	9
Zayre	10.5	11	10.8	1.5	7.0	11	6.8	1.1	7.2	13	14.2	7
Kuhn's-Big K Stores	6.5	12	def	1.1	0.4	8	7.8	def	17.8	6	–10.2	12
G C Murphy	6.5	13	8.0	0.6	6.2	14	5.4	1.3	8.3	12	–1.7	11
Pamida	5.3	14	5.5	0.5	5.5	13	5.4	1.1	13.0	9	–12.1	13
Cook United	5.0	15	5.4	1.0	5.2	16	4.5	1.0	–4.9	17	213.5	1
Vornado	def	16	def	0.7	1.4	17	1.9	def	–1.7	16	P–D	15
Fed-Mart	def	17	def	1.7	0.2	15	4.5	def	20.7	4	P–Z	14
Medians	**12.5**		**9.1**	**1.0**	**6.5**		**7.2**	**1.3**	**13.0**		**11.7**	
Industry medians	**12.5**		**9.5**	**0.7**	**6.8**		**8.2**	**2.0**	**10.3**		**8.9**	
All industry medians	**15.8**		**16.1**	**0.4**	**11.0**		**11.1**	**5.0**	**14.3**		**13.9**	

Note: Explanation of Yardsticks calculations on page 49.
P-D: profit to deficit. D-D: deficit to deficit. D-P: deficit to profit; not ranked. P-Z: profit to zero.
def: deficit. NE: negative equity.

The retail computer store promises to be to electronics what McDonald's was to fast foods.

Specialty retailing



THROUGH ITS CHAIN OF 8,000 Radio Shack and Tandy Electronics Stores, Ft. Worth Tex.' $1.4 billion (sales) Tandy Corp. pioneered the retailing of small hand-held and desktop computers—items ranging from $250 to $10,000 in price—to hobbyists, businessmen, students and the like. That's one reason Tandy's sales and earnings have doubled since 1976, and one reason its stock has risen fourfold over the last 16 months. It's also one reason why a host of competitors and imitators are now trying to cash in on Tandy's retail computer market. Tandy has latched on to a really big one this time. Retail computer sales are expected to grow from $1 billion last year to $1 billion by 1985, which almost certainly makes it the biggest major growth prospect in retailing today.

The prospects are so dazzling as to have drawn down the really big guns. Outfits like Xerox, IBM, Digital Equipment and Control Data, which distribute their big-ticket computers and office equipment through huge direct sales forces, are opening specialty retail stores to sell less expensive desktop models at prices ranging from under $1,000 to $20,000 apiece.

While IBM won't divulge how many retail stores it plans, it recently opened outlets in Philadelphia and Baltimore. These IBM product centers, as they're called, will offer a broad line of office equipment as well as the company's smallest computer system, which carries a price tag of $13,500. Depending on the success of its present stores, IBM could open scores of retail outlets in big metropolitan areas to complement its direct sales force.

Xerox, which already has opened 14 stores, plans 24 more this year and possibly hundreds by 1985. Unlike IBM, Xerox will sell computers made by Apple as well as its own. Digital Equipment has 25 stores, and Control Data plans to expand its retail computer outlets from 2 to 100 this year alone.

Computer outfits like Apple and Commodore International are distributing through consumer electronics chains (Computerland, Byte Stores and MicroAge among them) and the independent computer retailers. Electronic computer toy manufacturers, which also stand to cash in on the boom, are selling their video games through J.C. Penney, Montgomery Ward, Sears, Roebuck and the like. And ready to mount their own assault on the U.S. retail computer market are the Japanese—Nippon Electric, Sord, Sanyo, Sharp and Panasonic.

To gird against the assaults by both the U.S. computer giants and the Japanese, Tandy is opening a nationwide chain of specialty computer stores. Tandy will continue selling computers through its consumer electronics Radio Shack stores, but Tandy's president, John V. Roach, is pinning his future hopes on the so-called Radio Shack Computer Centers. Roach plans to add 50 to the company's existing 150 computer stores by year's end, and he will maintain that pace through 1984. Competition? Roach breezily brushes it aside. "For a competitor to threaten the company," he says, "it would have to stop the growth of our business, and that possibility just doesn't exist right now."

With so many new players getting into the retail computer

The do-it-yourself boom

New housing construction may be suffering its worst slump in five years, but, as always when the economy slumps, fixing up the old nest is a booming business. Retailers selling do-it-yourself to homeowners rang up sales of about $50 billion last year, up from $30 billion in 1977. And it's estimated that the industry will grow to over $90 billion by 1985, making it the biggest and fastest-growing specialty market after computer retailing.

"As inflation pushes up the cost of housing, homeowners are adding rooms and renovating rather than buying bigger dwellings," says E.L. McNeely, chairman and CEO of Wickes Co., the ($3.5 billion sales) San Diego, Calif.-based building supplies retailer.

Home improvement retailers such as Wickes, Color Tile, Standard Brands Paint, Payless Cashways, Scotty's, Evans Products, Lowe's Cos. and Hechinger are opening new stores at a rapid clip to attract hard-pressed homeowners squeezed out of new housing and unwilling or unable to plunk down $25 to $40 an hour to hire carpenters, plumbers and electricians to do the work for them.

Fix-up time at Color Tile.

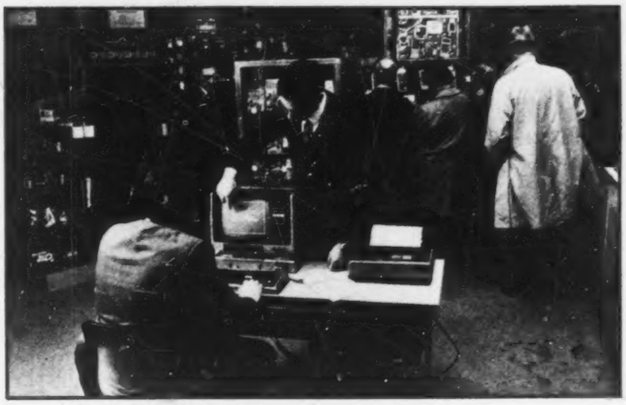
Business has been so good that it's attracting the forest products giants (Boise Cascade, Louisiana-Pacific, Union Camp and Georgia-Pacific), which increasingly are selling lumber, insulation, roofing, wallpaper, plumbing and electrical supplies directly to the consumer. With only 35 stores in 1977, Boise Cascade, for example, now has 103 retail building materials centers, and it plans to open another 20 to 30 stores. Louisiana-Pacific recently entered this market as well, buying 8 large home improvement stores from Lone Star Industries.

What's attracted the forest products giants is basic. Home improvement retailing is more profitable and faster-growing than the high-volume, low-margin wholesale lumber business. Scotty's Payless Cashways, Pay 'N Pak and Hechinger have reported average earnings gains of more than 20% a year since 1975, and Ft. Worth, Tex.' Color Tile not only has an average 44% annual earnings gain over the past five years, but also boasts a handsome 34% return on equity.—N.G.

game, buying a computer will soon be as convenient as shopping for a television or refrigerator. "We are just now entering the decade of electronics and there's room for a lot of companies," says Roach. "Given how big this business is getting, we think we can improve our market share and growth rate despite the competition."

In addition to Tandy and the others, it's estimated that an additional 30 or more small computer makers (Cado Systems, Vector Graphic and Data General, among them) are selling through retail stores, according to Dataquest, a Cupertino, Calif.-based market research outfit.

While lots of computers eventually will wind up in the home, a large number will also end up sitting on the desks of business managers using them for purchasing, inventory control and tracking receivables. The computer retailers are setting their sights on the 15 million small businesses in the U.S. with revenues under $1 million, and the more than 10 million managers working in larger companies. It's no wonder the retail computer store has come of age.—**Nick Galluccio**



Tandy's Radio Shack Computer Center
As easy as buying a television or refrigerator.

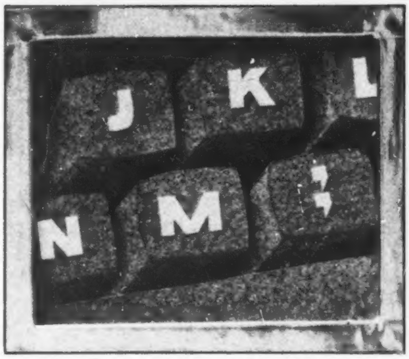
Specialty retailers

Yardsticks of management performance

	Profitability								**Growth**			
	Return on equity			Return on total capital					Sales		Earnings per share	
Company	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
Drug chains												
Longs Drug Stores	22.3%	**1**	20.5%	0.0	20.4%	**1**	22.3%	3.3%	17.9%	**7**	16.5%	**9**
Revco D S	21.4	**2**	20.2	0.2	16.9	**5**	17.6	3.6	22.5	**4**	23.3	**3**
American Stores	21.2	**3**	20.1	1.3	9.2	**4**	17.8	0.9	42.1	**1**	25.6	**1**
Rite Aid	21.1	**4**	20.2	0.2	17.8	**3**	18.5	3.7	19.7	**5**	23.7	**2**
Pay Less Drug NW	20.1	**5**	19.6	0.6	12.4	**6**	14.8	2.3	19.4	**6**	18.4	**5**
Jack Eckerd	19.2	**6**	19.3	0.0	18.5	**2**	18.7	4.5	24.4	**3**	18.0	**6**
Pay'n Save	17.7	**7**	15.1	0.7	10.8	**7**	13.8	2.5	25.2	**2**	16.6	**8**
Walgreen	16.1	**8**	19.5	0.5	14.1	**8**	11.4	2.3	6.6	**11**	16.9	**7**
Peoples Drug Stores	13.8	**9**	17.0	0.6	13.6	**9**	11.3	1.5	12.1	**9**	20.7	**4**
Thrifty Corp	12.6	**10**	14.8	0.9	9.8	**10**	9.2	1.6	12.2	**8**	9.0	**10**
Gray Drug Stores	10.7	**11**	3.5	1.3	4.2	**11**	8.7	0.4	10.3	**10**	6.0	**11**
Medians	**19.2**		**19.5**	**0.6**	**13.6**		**14.8**	**2.3**	**19.4**		**18.0**	
Nondrug specialists												
Tandy	47.5%	**1**	43.5%	0.8	26.4%	**3**	27.1%	8.3%	25.6%	**4**	51.7%	**3**
Service Merchandise	33.4	**2**	17.1	1.1	10.5	**5**	23.4	2.1	42.8	**1**	41.4	**4**
Avon Products	32.1	**3**	28.1	0.0	27.2	**1**	31.3	9.6	12.3	**14**	11.3	**14**
Best Products	30.4	**4**	21.3	1.2	8.9	**6**	22.5	2.1	38.2	**2**	53.6	**2**
Toys "R" Us	30.2††	**5**	18.9	0.3	16.2	**10**	15.0††	5.0	**		**	
Petrie Stores	29.4	**6**	23.2	0.0	23.2	**2**	29.4	10.4	15.2	**8**	19.6	**9**
SCOA Industries	29.4	**7**	28.6	1.0	16.5	**8**	17.3	3.3	15.1	**9**	64.3	**1**
Melville	28.7	**8**	25.0	0.2	23.7	**4**	26.9	4.8	19.8	**5**	22.2	**7**
Edison Bros Stores	24.6	**9**	19.3	0.2	16.3	**7**	20.4	5.1	13.0	**12**	22.2	**6**
Modern Merchandising	19.7	**10**	6.6	1.4	5.2	**11**	13.9	0.9	31.6	**3**	20.2	**8**
Morse Shoe	19.0	**11**	16.0	0.5	11.7	**9**	16.8	3.6	14.6	**10**	28.3	**5**
Gordon Jewelry	15.7	**12**	14.8	0.4	12.3	**12**	13.2	5.1	16.1	**7**	16.9	**11**
Levitz Furniture	14.5	**13**	12.7	1.1	8.6	**18**	9.7	3.1	8.4	**17**	16.0	**12**
Brown Group	14.4	**14**	16.0	0.4	12.7	**13**	11.5	3.6	9.7	**16**	11.6	**13**
ARA Services	12.8	**15**	12.7	0.4	11.2	**16**	10.4	2.3	14.1	**11**	7.6	**16**
Saga	12.8	**16**	12.0	1.1	7.7	**15**	10.7	1.0	18.9	**6**	5.9	**17**
Wickes Companies	12.5	**17**	4.7	1.0	4.6	**19**	8.1	0.7	12.4	**13**	19.6	**10**
Beneficial Corp	12.4	**18**	8.3	3.3	4.1	**20**	6.1	3.2	8.2	**18**	2.5	**19**
Zale	12.1	**19**	14.0	0.3	12.0	**14**	10.8	5.2	9.9	**15**	8.6	**15**
Lane Bryant	11.7	**20**	11.6	0.2	10.0	**17**	10.0	2.9	3.9	**19**	4.1	**18**
Genesco	def	**21**	2.0	1.4	4.2	**21**	def	0.6	–4.9	**20**	D–D	**20**
Medians	**19.0**		**16.0**	**0.5**	**11.7**		**13.9**	**3.3**	**14.4**		**18.3**	
Industry medians	**19.1**		**17.1**	**0.6**	**12.2**		**14.4**	**3.2**	**15.1**		**18.0**	
All industry medians	**15.8**		**16.1**	**0.4**	**11.0**		**11.1**	**5.0**	**14.3**		**13.9**	

Note: Explanation of Yardsticks calculations on page 49.
††Three-year average. D-D: deficit to deficit. def: deficit. **Not available; not ranked.

IBM is once more poised to advance information technology. It is such innovativeness that enables the U.S. to keep its unchallenged technological lead over the rest of the world.



Computers

OUTSIDE OF AGRICULTURE, INFORMATION TECHNOLOGY is the only key economic area where America still has a commanding international lead. Unlike smokestack America, computer America is as efficient, productive and innovative as ever. Hundreds of new computer-related companies continue to spring up, finding niches in the market ignored by the major mainframe-computer makers or targeting in on an existing product of one of the majors and beating it in price or performance.

The key to this vitality is giant International Business Machines, which earned an estimated $3.4 billion last year on $25 billion in sales and which now spends about $1.5 billion annually on research and development. Unlike the myopic, stagnant, trade-protection-seeking goliaths in steel, autos and oil, IBM for all its size remains vibrant, daring and potent. IBM has continued to emphasize pure research, kept it alive and well in its laboratories at a time when many companies dedicated to pure research have begun to take a more practical, more bottom-line-oriented approach.

The impact of IBM's pioneering is visible in the marketplace. Unlike its competitors, who must bet their companies' or at least their executives' reputations on narrower approaches, IBM's management often has a choice of technologies. IBM has twice revolutionized the computing business with its sweeping new-product introductions: in the Sixties with its System 360 and in the late Seventies with its 4300 series. Each innovation lowered the price of computing and changed the way computers were used.

Now IBM is launching its H series, a group of large-scale computers that should have a drastic impact on its competition. Eventually, the H series should grow into a family of computers, ranging from a middle-size model only slightly larger than the 4300 series of 1979 to superfast computers needed for the largest research projects. The H series will be an awesome achievement, but far from overwhelming its competitors, it is likely to touch off an explosion of further innovation and technological advance.

In the past, IBM's older mainframe competitors such as Burroughs, NCR, Honeywell and Sperry have preferred to find product niches safe from IBM's competition, developing their own architecture, for example, so that IBM computers could not talk directly to theirs. The response was understandable. More than 50 computer firms have failed trying to compete with IBM, and the surviving firms were conservative. Instead of seeing computer communication as an opportunity to take business away from IBM, they saw it as a risk to their own. It was such small new companies as Amdahl, with no old business to lose, that pioneered making interchangeable, IBM-plug-compatible equipment. For their daring, such companies were rewarded with soaring revenues and profits.

But now at Burroughs, Honeywell, NCR and Sperry, talk abounds of introducing products that can communicate with IBM computers. What IBM does, the competition of necessity must match or exceed. The H series will stress modular, interchangeable parts and hardware, and its rivals must match it. The H series will also stress communications capabilities, and its rivals must match that as well. They have no choice. More of the H series will hit the market just as Satellite Business Systems, owned by IBM, Comsat and Aetna, starts up in 1981. The new system will dramatically reduce the cost of computers talking to each other all over the world. So unless IBM's competitors' machines can talk with IBM machines and draw on the incredible amount of data stored in IBM language, they will be mute and lose out very quickly. This means IBM's rivals will have to produce new systems. Competitors who fail to invest in them simply will not survive.

The increasing cheapness, versatility and sophistication of computing power created by the H series and its competitive responses should bring in a new wave of computer use. The electronic office and electronic mail, more automated produc-

Computers

Yardsticks of management performance

	Profitability								Growth			
	Return on equity			Return on total capital					Sales		Earnings per share	
Company	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
Storage Technology	29.0%	1	26.7%	0.8	17.1%	5	17.9%	7.8%	44.0%	2	48.6%	1
Wang Laboratories	27.2	2	34.8	1.0	19.3	6	17.7	9.5	38.9	3	39.0	3
Amdahl	23.3†	3	4.2	0.4	4.4	1	27.1†	2.5	33.4‡‡	5	–19.2‡‡	12
Data General	23.0	4	20.8	0.2	19.2	3	21.4	8.4	46.5	1	34.5	4
Memorex	23.0††	5	def	0.7	def	9	12.8	def	26.1	6	D–P	

Note: Explanation of Yardsticks calculations on page 49.
†Four-year average. ††Three-year average. ‡‡Three-year growth. D-P: deficit to profit; not ranked. def: deficit.

Computers

Yardsticks of management performance

	Profitability								Growth			
	Return on equity			Return on total capital					Sales		Earnings per share	
Company	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
IBM	22.4%	6	22.3%	0.1	20.4%	2	21.5%	13.2%	13.1%	10	13.3%	11
Hewlett-Packard	18.7	7	21.4	0.0	20.6	4	18.1	8.7	23.3	7	22.7	6
NCR	18.2	8	15.6	0.2	13.6	8	13.8	7.3	8.8	12	41.1	2
Digital Equipment	17.9	9	17.5	0.3	14.9	7	15.9	10.3	37.2	4	34.1	5
Sperry	14.8	10	15.1	0.2	11.1	11	10.8	5.8	10.2	11	14.8	9
Burroughs	14.5	11	13.3	0.1	12.0	10	12.8	9.6	13.5	9	14.9	8
Honeywell	13.4	12	13.2	0.2	10.0	12	10.1	4.6	8.6	13	14.7	10
Control Data	8.8	13	11.3	0.4	8.5	13	6.7	3.7	13.7	8	15.8	7
Industry medians	18.7		15.6	0.2	13.6		15.9	7.8	23.3		19.3	
All industry medians	15.8		16.1	0.4	11.0		11.1	5.0	14.3		13.9	

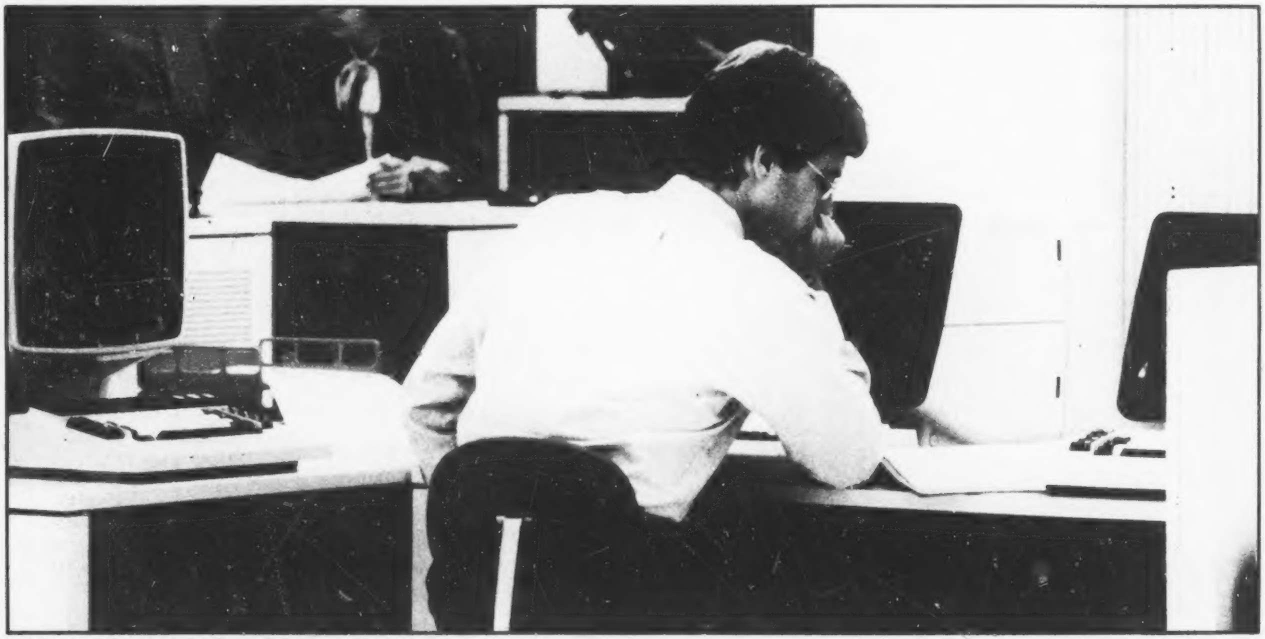
Note: Explanation of Yardsticks calculations on page 49

tion processes, computer-assisted instruction in schools, instant credit analysis in retail stores and banks, and myriad other undreamt-of uses are foreseeable. These should also send IBM's profits surging from 1980's record.

All IBM rivals will be severely challenged next year when the H series hits, with incalculable consequences. "The H will test the price elasticity of the market because the cost of computing power will go down across the board," predicts Harry Edelson of Edelson Technology Associates. "There will be considerable margin pressures. While rivals try to respond to IBM's technology, they must stay competitive in price-performance. The H will be the highlight of 1981 as everyone tries to reposition themselves versus the industry leader."

Progress unquestionably. And it should continue to keep U.S. technology ahead of the pack.

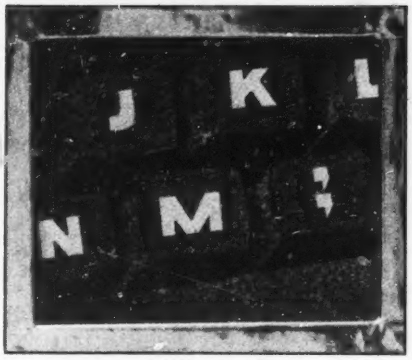
Ironically, the only real threat to IBM's position comes not from its competition but from the Justice Department. On his last day in office 11 years ago, Attorney General Ramsey Clark filed an antitrust suit against IBM whose stated object is to break up the company into several competing parts. Short term, the plan sounds alluring. A fractured IBM would create more competition and result in lower short-term prices and profits. Long term, however, it would probably mean higher relative prices insofar as it would dissipate IBM's power in the market—a power IBM has always used to knock down costs and expand the market for its products. By destroying IBM's vast technological capability, such a plan would also probably blunt the U.S.' last surviving technological edge, something the U.S. can no longer afford to put in jeopardy in these troubled times.—**Robert J. Flaherty**



IBM's Model 3081, the first of the new H series

In computers, IBM is still able to call the tune.

As the office of the future becomes the office of the present, a titanic battle for ultimate market dominance is taking shape.



Office equipment

Most office workers still operate with a telephone, a typewriter, a metal file cabinet or two and a mail basket. But put a $1,000-a-month typist in front of a word processor with its own electronic memory, and not only does retyping become a thing of the past, but much of the typist's routine work is reproduced automatically by the machine at the push of a button or two, sending her productivity up maybe 40%. Hook a similar machine to the company's computer bank, and electronically stored data will link all the machines together so people can fire off instantaneous messages to each other, eliminating the mail's delay and the telephone's temporizing, and the efficiency gains are little short of breathtaking.

Such is the office of the future, and the productivity gains it offers have convinced Xerox, IBM and a host of smaller but not necessarily less sophisticated companies that office automation affords one of the biggest growth opportunities in U.S. industry today. "For big business, achieving a 15% gain in white-collar productivity," says David E. Liddle, vice president of Xerox' office products division, "is equivalent to a 30% increase in operating growth." Advancing arguments like that has helped turn Xerox—encompassing computerized and computer-related equipment—into an $8 billion business, and that's just the beginning. Liddle's object, of course, is to see as many of those typists and executives as possible end up sitting in front of Xerox word processors like the 860 system.

But it's likely to be an uphill battle. Looming behind Xerox and everybody else rushing to get into this vast new market is IBM, which is also a major supplier of office equipment. IBM recently announced its Displaywriter word processor, and competitors—like Xerox, Digital Equipment, Lanier, Olivetti, A.B. Dick and a host of others—began slashing prices in the hope that customers would rather buy now from them than wait for the Displaywriter, on which IBM was recently quoting a 38-week delivery.

The edge was worth fighting for. IBM intended to go Xerox and company one better and provide ways to link Displaywriter and other stand-alone office machines to corporate data bases, and to store and transmit numerical data along with words. IBM's Systems Network Architecture would also allow it to fold in electronic filing (and instantaneous cross-indexing) and electronic mail. The way IBM sees it, according to the office products division's vice president of marketing, Dan McGlaughlin, office automation would eventually become one with data processing and transmission for large customers. Under that scenario, the office of the future would be introduced by present EDP managers. Since they are, by and large, IBM's biggest and most dependent fans, IBM would have a huge marketing advantage.

To bypass the EDP manager (and to weaken IBM's controlling hand), Xerox has shrewdly attacked from the opposite direction with Ethernet, a scheme for linking the computers and office devices by a simple coaxial cable. Created in partnership with Digital Equipment, the biggest maker of minicom-

Office equipment and services

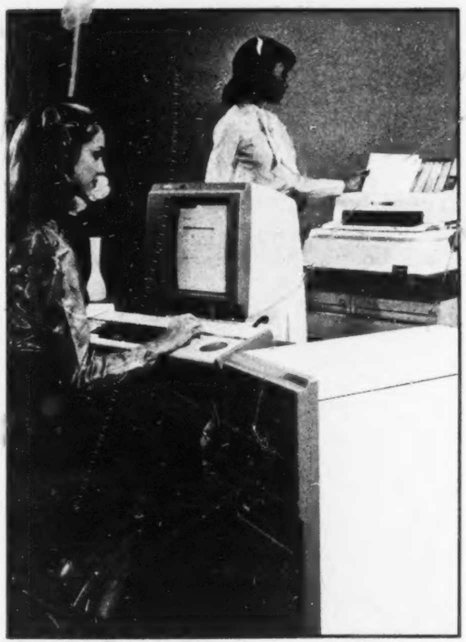
Yardsticks of management performance

	Profitability								Growth			
	Return on equity			Return on total capital					Sales		Earnings per share	
Company	5-year average	5-year rank	latest 12 months	debt/equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
Savin	47.3%	1	23.8%	0.8	14.7%	1	35.5%	5.5%	36.3%	1	101.3%	1
Computer Sciences	40.3	2	32.8	0.9	19.6	5	18.2	4.8	18.3	4	D–P	
Kelly Services	28.5	3	25.2	0.0	25.3	2	28.5	3.5	23.5	3	26.5	3
Electronic Data Syst	22.2	4	23.2	0.1	20.7	3	20.1	7.9	17.8	5	7.0	8
Auto Data Processing	21.8	5	20.3	0.2	16.1	4	19.5	8.3	27.6	2	21.9	4
Pitney Bowes	19.7	6	19.7	0.4	13.4	8	13.8	6.0	16.1	7	32.0	2
Xerox	18.8	7	18.7	0.3	16.1	6	15.4	7.7	15.1	8	11.5	6
Moore Corp	18.2	8	18.5	0.2	14.9	7	14.3	6.0	14.2	9	9.0	7
Nashua	17.4	9	14.9	0.3	11.7	9	12.9	3.3	17.0	6	16.3	5
Bell & Howell	3.3	10	14.0	0.4	11.0	10	3.1	3.6	6.3	11	–16.0	10
AM International	2.5	11	1.0	0.5	2.0	11	3.1	0.2	7.4	10	–2.8	9
Industry medians	**19.7**		**19.7**	**0.3**	**14.9**		**15.4**	**5.5**	**17.0**		**13.9**	
All industry medians	**15.8**		**16.1**	**0.4**	**11.0**		**11.1**	**5.0**	**14.3**		**13.9**	

Note: Explanation of Yardsticks calculations on page 49.
D-P: deficit to profit; not ranked.

puters, and Intel, a leading computer-chip maker, Ethernet is a design, plus appropriate equipment, for creating an interconnected web of office devices inside a company without necessarily tying the system and machines together through the company's central computers.

Ethernet's rivals are or will be offering systems of their own, generally systems incompatible with one another. Each will have its own standards and protocols, the sets of rules and specifications that govern the form in which information is transmitted from machine to machine. Each hopes to impose its standards on part or all of the potential market because that would give it an edge in selling equipment, much as IBM long had in computers. Ethernet protocols have been published in the hope that other non-IBM competitors will copy them and give them more force in the marketplace.



The 860 office system
Xerox' new improved secretary.

So there's a chance Ethernet can escape the IBM juggernaut. Unfortunately, even Ethernet, the most promising competitor, has had to include a device to connect into IBM's Systems Network Architecture because IBM's installed base of equipment is simply too massive and ubiquitous to exclude without hurting sales. And translating equipment for linking up incompatible networks is improving, so the niches the companies build won't be as safe as the companies would like. Meanwhile, IBM's plans to expand communications through its joint venture, Satellite Business Systems, and to link up and computerize office functions are so vast that each part of the effort will be fair game for an alert competitor with an improvement.

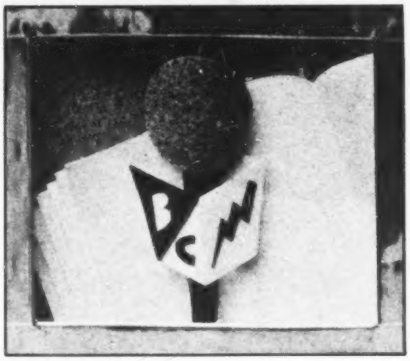
Overall, the prize is big enough to justify the gamble. But the smart betting is that whatever system IBM ultimately adopts will become the standard. That's the way it was, and is, in computers.

While all this is going on, a lively battle is also shaping up in copiers. In the high end, Xerox is taking care of itself very well. Its new, state-of-the-art 5700 not only copies and duplicates pieces of paper, but also does electronic printing, which creates an original from remote word processors or tapes. Two lesser products, the 5600 and the 8200, neatly bracket and, at least for the moment, halt the encroachment of IBM and Kodak in the high end of the copier market. But the Japanese continue to gain market share in the low end. In the cheap machines, no American manufacturer is cost-competitive, even inside the U.S. IBM, for example, is rumored to be about to buy Minolta-made machines for distribution inside the U.S. and Xerox is getting low-end machines now from Fuji Xerox.

The future for office equipment is a world of enormous, barely understood potential; a revolution in the way Americans conduct their business lives is brewing here. But already there is that cloud on the horizon, no bigger than a man's hand: abandoning the low end to the Japanese. American auto manufacturers did that long ago. Will IBM and Xerox find it any wiser a decision in copiers?—**Robert J. Flaherty**

Publishing is still an easy-entry business, but these days it's no longer easy to stay in.

Publishing



IT'S HARD TO FIND AN INDUSTRY that has been picked cleaner by the conglomerates than book publishing. G.P. Putnam's Sons, for example, has long since been absorbed by MCA; Simon & Schuster, by Gulf & Western.

The big question in publishing is how to prosper in these days of the multimedia deal, when the megabucks can be made only by turning a hardcover book into a paperback into a movie or some variation thereof. Not coincidentally, MCA also owns Universal Pictures; G&W owns Paramount.

One solution is to become more of a conglomerate. Take William Jovanovich, the outspoken onetime college textbook salesman who has headed Harcourt Brace Jovanovich for over a quarter-century. With more than 30 acquisitions under his belt, Jovanovich has tried to improve the company's earnings mix by broadening its publishing base to include such oddities as marine theme parks, a purveyor of classroom supplies like chairs and chalk and a purveyor of life and accident insurance.

There have been some mistakes along the way—Jovanovich unloaded his deficit-ridden, mass-market paperback Jove imprint on MCA, for example—but by and large the conglomerate approach has worked. HBJ's return on equity has been looking far better in the last couple of years than in the early to mid-Seventies. The leverage has been successful enough for Jovanovich to talk of HBJ moving into the light manufacture and assembly of products unrelated to its current lines of business.

Book publishing is still an easy-entry business. The best-seller paperback lists, for example, are peppered with offerings from such comparative newcomers as Ten Speed Press, Meadowbrook Press and Workman Publishing. "You could go into business tomorrow," says Robert Bernstein, chairman of the Newhouse organization's Random House subsidiary, "if you had ideas for two books and if you could find a distributor."

Maybe so, but it wouldn't take you very far. The marketing linkage between trade books, paperbacks, movies and TV has made publishing a high-stakes game. So, increasingly the focus is on the blockbuster, the book that may cost several million dollars in upfront royalties to a name author but may produce a multimedia payoff. Big subsidiary rights sales help take a lot of the risk out of the game.

New American Library, for example—a subsidiary of the Times Mirror empire—paid just under $3 million for the paperback rights to two books by Robin Cook, *Sphinx* and *Brain*. That record didn't last. It was topped by the $3.2 million Crown got from Bantam Books for paperback rights to Judith Krantz' *Princess Daisy*.

Hardcover bestsellers at a B. Dalton bookstore
The paperback, the movie, and then. . . .

Princess Daisy is one of the richest demonstrations yet of how hardcover books have become the software for the multimedia packagers. Crown put $400,000 up front for *Princess Daisy*, and gave up a good chunk of the paperback rights to the author. Even so, it presumably came out well ahead of the game with that $3.2 million paperback sale to Bantam. Foreign hardcover and paperback rights to the book have already brought in over $2 million, with more to come. Still down the road is a yeasty movie deal, probably with TV or cable TV riders attached.

The transformation of book publishing from what was basically a cottage industry to one dominated by a dozen or so conglomerates pivots on economies of scale. Bantam could afford to put up $3.2 million for its piece of *Princess Daisy* partly because in press runs of a million or more it can probably print the book at a per-copy cost in the neighborhood of 35 cents. On a book that would sell only 100,000 copies, say, unit production costs would be somewhat higher.

Princess Daisy, of course, could have been a bomb. Bantam could afford to take the risk because as a subsidiary of Bertelsmann, the big German publishing conglomerate, it has potential access to some very deep capital pockets indeed. If the book had flopped, the cost would have been maybe a couple of cents a share to Bertelsmann. A small independent taking the risk could very well have been wiped out by a failure. The risks have become so high that many publishers are pulling back. McGraw-Hill is clearly backing away from trade books. RCA recently sold its Random House subsidiary, probably the industry's most prestigious company. Harper & Row has folded its Lippincott and Crowell trade hardcover lines into a single Harper imprint. The move was a prelude to sizable staff cuts and a planned shrinkage on the trade book side of the business. The competitive pressures are less intense on the textbook side and that is the marketing basket in which the independents are placing an increasing share of their hopes.

There is still room enough for tightly run independents and specialty houses to make something out of bread-and-butter midrange books that the megapublishers no longer seem very much interested in publishing. On form, though, it looks as though the big ones have no choice but to go right on getting bigger or selling out of the business.—**Richard Phalon**

Publishing

Yardsticks of management performance

	Profitability								Growth			
	Return on equity			Return on total capital					Sales		Earnings per share	
Company	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
Dow Jones	30.7%	**1**	28.6%	0.1	25.3%	**1**	27.8%	10.5%	15.7%	**9**	14.7%	**13**
Deluxe Check Printers	26.9	**2**	27.2	0.0	25.4	**3**	25.1	10.4	15.4	**12**	17.0	**11**
Washington Post	26.6	**3**	20.0	0.1	17.2	**5**	20.0	5.2	15.5	**11**	31.1	**3**
Dun & Bradstreet	26.4	**4**	29.5	0.0	28.8	**2**	26.4	8.8	12.5	**15**	13.4	**16**
Interpublic Group	23.8	**5**	20.5	0.3	16.7	**4**	22.7	4.8	16.1	**7**	20.8	**5**
Capital Cities Commun	21.9	**6**	22.8	0.3	18.7	**10**	16.7	15.2	21.8	**1**	24.1	**4**
Times Mirror	20.8	**7**	18.2	0.3	13.8	**8**	18.2	7.4	15.7	**10**	19.5	**6**
Gannett	20.6	**8**	20.9	0.2	18.3	**7**	18.6	12.4	21.0	**2**	17.7	**10**
McGraw-Hill	20.0	**9**	21.4	0.1	19.3	**9**	17.4	8.5	10.5	**16**	19.2	**7**
A C Nielsen	19.8	**10**	18.8	0.0	19.2	**5**	20.0	5.9	17.7	**4**	15.7	**12**
Equifax	18.8	**11**	16.8	0.2	13.4	**11**	16.1	2.8	8.3	**19**	3.1	**18**
Meredith	17.7	**12**	19.1	0.3	12.4	**16**	12.1	6.4	13.2	**14**	43.0	**2**
Time Inc	17.4	**13**	14.0	0.4	10.4	**14**	13.5	5.2	20.9	**3**	18.3	**8**
Knight-Ridder News	16.8	**14**	16.2	0.1	15.0	**12**	15.4	8.3	15.9	**8**	17.9	**9**
New York Times	15.7	**15**	19.0	0.1	16.3	**13**	13.8	5.8	9.6	**17**	13.6	**15**
Harcourt Brace Jovan	15.1	**16**	17.9	0.6	12.2	**17**	11.6	5.1	16.8	**6**	9.2	**17**
R R Donnelley & Sons	14.9	**17**	15.1	0.0	13.3	**15**	13.4	6.3	14.9	**13**	14.2	**14**
Arcata	13.3	**18**	11.6	0.6	7.4	**18**	9.6	3.8	17.1	**5**	54.4	**1**
Playboy Enterprises	7.3	**19**	12.8	0.2	10.9	**19**	6.7	3.8	8.7	**18**	–2.6	**19**
Macmillan	def	**20**	def	0.5	def	**20**	def	def	4.3	**20**	P–D	**20**
Industry medians	**19.3**		**18.9**	**0.2**	**15.7**		**16.4**	**6.1**	**15.6**		**17.4**	
All industry medians	**15.8**		**16.1**	**0.4**	**11.0**		**11.1**	**5.0**	**14.3**		**13.9**	

Note: Explanation of Yardsticks calculations on page 49.
P-D: profit to deficit. def: deficit.

Thor(n) in the publishers' side

What does a maker of rock drills, impact wrenches and concrete-cutting saws have to do with the publishing industry? Enough to cause the destruction of millions of books, increased costs and higher hurdles for would-be authors to cross. It's like this:

Back in 1971 the Thor Power Tool Co. of Aurora, Ill. took the Internal Revenue Service to court over the tax treatment of excess inventories stored in the company's warehouse. The IRS maintained that those stocks could not be written down for tax purposes unless they were either sold at reduced cost or destroyed. Thor thought otherwise. In 1979 the tax man won in the U.S. Supreme Court, and the IRS issued a ruling last February applying the Thor decision to *all* companies.

As it happened, a number of publishers accounted for books the way Thor accounted for rock drills, and that translated into millions of lost dollars. Take, for example, Prentice-Hall, the $282 million (revenues) textbook publisher headquartered in Englewood Cliffs, N.J. Over the past few years P-H took a $3 million writedown of some 1.4 million college, elementary and high school texts. Under its old accounting practices, the publisher could have still hung on to the books—now carried at zero value for tax reasons—on the chance that they might be sold later [illegible] their retail value of $15 to $20. But no more. Under the February IRS action, the company now has to establish a value for the books it wrote off, either by selling them at reduced prices (remaindering) or by destroying them. Or, P-H could pay back the $1.5 million tax credit on the $3 million writeoff. The publisher has opted to shred the books.

"There's no question about it," warns Leo Albert, the white-haired P-H director who is also chairman of the 325-member Association of American Publishers, "a lot more books will be destroyed as a result of this ruling." But Albert points out that the paring of overstock will be a onetime cost; in the future, publishers will look more carefully at a book's sales potential and will print only enough copies to meet the sure-sell requirements. Alternatively, they might simply raise the price to cover the increased inventory cost. Marginal books, such as an author's first novel, might not get published at all because there's no assurance the market is there. "That," concludes Albert, "is a restriction on the free flow of information, no matter how you look at it."

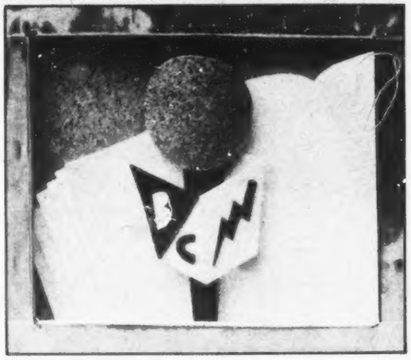
It's hardly more of a restriction than a publisher's decision not to publish on other grounds, but New York Senator Patrick Moynihan intends nonetheless to introduce a bill that would exempt publishers from the ruling. How many publishers are affected by Thor, and how badly, is still anybody's guess, however.

McGraw-Hill and John Wiley & Sons, among others, won't be affected much at all because they decided to comply with the IRS wishes when Thor was still in court. Then too, publishers who use LIFO accounting aren't affected at all because under that system you don't take deductions for reserves because you don't create reserves.

Little wonder then that Townsend Hoopes, AAP president, believes gaining special treatment for publishers "is going to be a very uphill fight. We'll have to prove that books are different. There's a cultural dimension here, and it ought to be public policy to encourage the retention of old books because otherwise the backlists are going to dry up."

At least one major New York publishing executive thinks the AAP is after a highly discriminatory special rule. "You don't have to keep 2,000 copies of a book to preserve the cultural backlist. Besides, if you go to a warehouse and see 10,000 copies of *Forever Amber* [the steamy 1945 Kathleen Winsor romance novel], there's no cultural reason why you shouldn't chop up all but a hundred."—Jeff Blyskal

Last year, advertising outlays seemed finally to have become recession-proof. But, for the networks, earnings were nonetheless down.



Broadcasting

For years, Madison Avenue has been trying to convince the nonbelievers in Wall Street that advertising spending has indeed become recession-proof. In 1980 it finally proved the point.

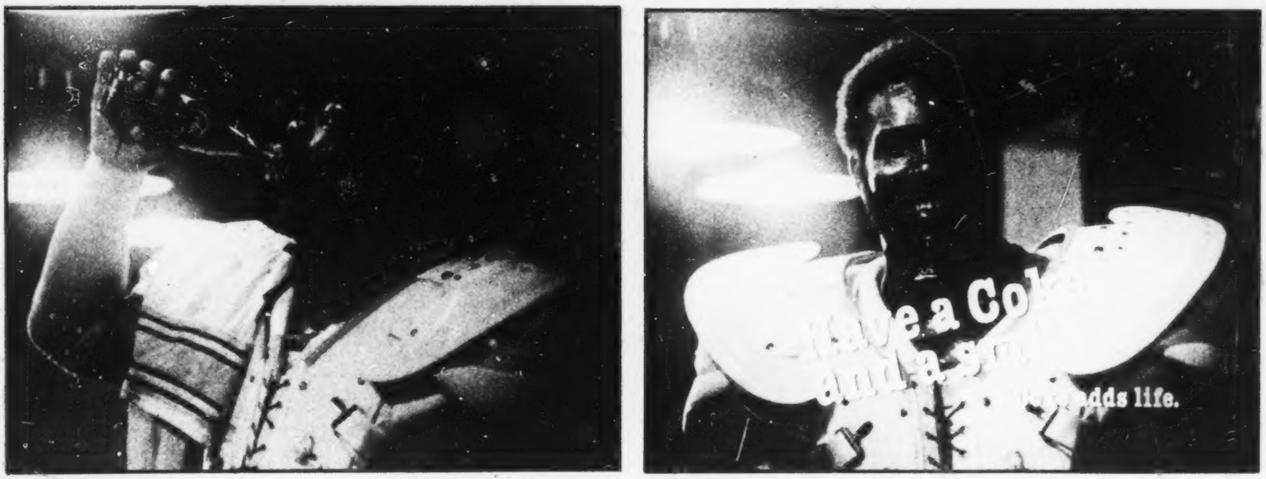
For at least the last two decades, the advertising budget has been one of the first places where cost-conscious corporate managers looked for economies. Last year, though, while the GNP headed for the cellar in one of the sharpest recessions ever, advertising spending rose by about 11%, *vs.* the 13% gain in nonrecessionary 1979. Sharpening competition was the major catalyst.

"Everyone was pressing for market share," explains Robert J. Coen, a senior vice president with McCann-Erickson, Inc., one of New York's most successful advertising agencies, "or willing to spend more money to protect what they had."

Nobody knew why the corporate managers had changed their strategy in a recession, but change it they apparently had, and Wall Street responded to the new dispensation by marking up prices on advertising agency issues to the point where they were moving almost twice as fast as the market as a whole. One estimate is that agency earnings were up by something like 10%.

Perversely, though, the bulge in billings that helped gussy up the Madison Avenue image in The Street did not in most instances trickle down to the bottom lines of the publishers and broadcasters who rely so heavily on advertising for their daily bread.

Ad managers were willing to spend money all right, but it



Mean Joe Green sips a Coke

Corporate strategists are betting that advertising adds life to recession-threatened businesses.

was being spent charily. Which is to say that the networks in particular, which are now getting as much as $500,000 for a minute of prime time, were not able to jack up prices with the abandon of other years. After all, advertising outlays might not prove as recession-proof as they seemed.

The usual war of nerves between the advertising buyers and the networks on so-called "upfront" time—programming bought in advance of the September-to-September season—lasted well beyond its customary denouement in June and continued on into late fall.

But the buyers' feet-dragging was hardly the worst of it.

The Screen Actors Guild strike added to the uncertainties by curtailing production on new programming. The main reason why the new season was slow to take financial shape, however, was plain old price resistance. "They're saying, 'We never used to sell more than 60% upfront anyway, and now we're at 76% so that's a good number,' " noted one securities analyst, who was bemused by the cheery face the networks were putting on. "Two years ago they would have slit their throats if that had happened."

In the end, as with most toughly contested negotiations, everybody received a little something: Rates did go up, but not anywhere near as much as the networks had hoped. Their profit margins showed it, and probably will be soft again this year, according to such industry analysts as Ellen Berland Sachar of Goldman, Sachs.

On the revenue side, the networks are clearly pushing against the ceiling. McCann-Erickson's Robert Coen, for example, thinks the broadcasters will be lucky this year to walk away with anything like even the modest rate increases they took off the table last year. "They will just have to cool it," Coen says bluntly.

At the same time, programming costs—especially the cost of talent—are likely to keep right on rising at a fairly high rate. Blockbusters like the made-for-television movie *Shogun*, for example, can cost upward of $1.5 million an hour to produce. The way the wind has been blowing, it's going to become increasingly difficult for the networks to get that kind of money back at anything like the comfortable margins they used to enjoy.

So far the networks have been slow to respond to the force that may prove as great a threat to their advertising revenues as any recession—cable television. "The consensus is that the country is going to be wired," says Merrill Lynch analyst Edward E. Dunleavy. "Anybody who is in communications had better be in cable, if only to protect a traditional market." But the networks are still not so sure. And the prices for acquisitions would certainly be high. After all, cable television stocks are probably as overvalued these days as the stocks of the networks themselves are undervalued.—**Richard Phalon**

Broadcasting

Yardsticks of management performance

	Profitability								Growth			
	Return on equity			Return on total capital					Sales		Earnings per share	
Company	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
Metromedia	30.7%	1	39.0%	1.0	19.2%	3	17.5%	11.7%	13.7%	4	35.8%	1
Amer Broadcasting	23.6	2	19.8	0.3	16.5	2	18.3	6.9	14.5	3	28.3	2
CBS	23.0	3	17.5	0.1	15.1	1	19.6	4.8	15.0	2	15.1	4
RCA	17.7	4	15.3	0.9	11.0	4	11.7	3.9	9.6	5	26.1	3
Outlet	11.6	5	0.6	0.9	3.7	5	9.3	0.4	23.1	1	9.2	5
Industry medians	**23.0**		**17.5**	**0.9**	**15.1**		**17.5**	**4.8**	**14.5**		**26.1**	
All industry medians	**15.8**		**16.1**	**0.4**	**11.0**		**11.1**	**5.0**	**14.3**		**13.9**	

Note: Explanation of Yardsticks calculations on page 49.

How do the middle-ranking companies in FORBES' 106 industry groups and subgroups compare in terms of growth and profits?

Who's where in the industry groups

PRODUCTIVITY HAS ALREADY BECOME one of the catchwords of the Eighties. The tables below give some surprising insights into the productivity of American business in the use of its capital. They show that—despite inflation and recession—the 1,041 companies included in this year's Report on American Industry are stretching both their shareholders' dollars and their borrowed funds further than in years.

Over the first half of the Seventies, for example, FORBES' all-industry medians for return on equity averaged 11.6% while return on total capital was 8.6%. In those days, the most profitable industry was consumer goods-personal products, with an average five-year ROE of 17.4%.

By contrast, over the most recent five years, the all-industry median ROE was 15.8% and the median return on total capital was 11.1%. True, recessionary pressures over the past 12 months cut the total-capital figure down slightly for last year. But all in all, these representative big U.S. businesses got 36% more return on their shareholders' dollars in the second half of the decade than they did in the first half from about the same leverage: The median debt-to-equity ratio, then and now, was about 0.4, while the median net profit margin, 3.9% then, has grown to 5%. All of which suggests equities may really be the inflation hedge they were or are said to be.

The tables also give a detailed picture of comparative profitability and growth of different industries. There are some surprises here, too. Broadcasting, of course, is far and away the most profitable industry in return on equity—no surprise. But look at electrical equipment: It's now the most profitable of all in the ultimate measure, return on total capital. At the bottom of the list, industries like apparel, railroads, airlines, copper and steel have traditionally shown low ROEs—again, no surprise. But look at the shoe industry subgrouping under apparel. It has a sparkling 17.6% ROE over the last five years and an even better record over the last 12 months.

Moreover, some of those low-profit industries had a much improved year last year—railroads, for example, and copper—although the steel industry did not. Its profitability over the last 12 months was far below its five-year average.

These Yardsticks are designed to give the kind of overview many investors seek as the first step in portfolio selection: First select industries, then companies. The table ranks median or middle-ranking companies in all 49 industry groups in the same way as the 1,041 companies are ranked elsewhere in this issue. Many of the 49 groups are further broken down into subgroups—showing, for example, separate numbers for five different regional groupings of electrical utilities, as well as breakdowns on the three major kinds of insurance companies.

The results show which industries are the most profitable, which have the fastest earnings growth and which have shown the most promising trends in the latest 12 months. We use medians rather than averages to avoid distorting the results through abnormal windfall earnings at the top or staggering losses at the bottom. In short, these are the track records of companies in the middle of a group.

By comparing 12-month results with 5-year results, some conclusions can be drawn about cyclical industries just starting their turns, or trouble spots in others just beginning to show up. Return on equity in the computer industry, for example, ran behind its five-year average. The broadcasting industry's five-year averages in profitability are undeniably impressive, but over the latest 12 months, as the costs of programming mounted, they have been considerably below that high. The highly leveraged consumer finance companies, squeezed by high interest rates, fell behind. The thrifts were way down. So were retailers. By contrast, ethical drugs and aluminum are examples of industries that did better last year—sometimes much better—than they did over the last five years.

Comparing sales growth with earnings growth is a good way to determine how companies, and industries, cope with inflation. Among those where earnings did not keep pace were such profitable industries as drugs, tobacco, office equipment, toiletries and cosmetics. A brighter note: Some less profitable industries—including apparel, railroads and multi-industry companies—have steadily improved earnings in relation to sales.

Industry medians

Yardsticks of management performance

	Profitability								Growth			
	Return on equity			Return on total capital					Sales		Earnings per share	
Industry	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
Broadcasting	**23.0%**	**1**	**17.5%**	**0.9**	**15.1%**	**2**	**17.5%**	**4.8%**	**14.5%**	**21**	**26.1%**	**1**
Tobacco	**20.5**	**2**	**24.1**	**0.7**	**13.6**	**17**	**13.2**	**6.3**	**15.8**	**12**	**13.1**	**29**
Aerospace and defense	**20.0**	**3**	**18.2**	**0.2**	**14.1**	**13**	**13.8**	**4.1**	**14.3**	**24**	**22.7**	**4**
Electrical equipment	**20.0**	**3**	**18.7**	**0.2**	**17.2**	**1**	**18.1**	**6.1**	**14.1**	**26**	**14.3**	**23**
Office equipment and services	**19.7**	**5**	**19.7**	**0.3**	**14.9**	**6**	**15.4**	**5.5**	**17.0**	**8**	**13.9**	**25**
Leisure	**19.6**	**6**	**18.3**	**0.5**	**11.8**	**18**	**12.5**	**5.8**	**16.0**	**9**	**20.5**	**7**
Travel	14.9	—	19.2	0.7	11.8	—	8.6	5.0	13.7	—	20.5	—
Entertainment	23.7	—	19.3	0.3	15.9	—	19.4	8.8	16.7	—	21.6	—
Recreation	16.6	—	16.2	0.4	10.7	—	12.0	5.9	14.5	—	10.7	—
Food service	20.4	—	16.0	1.4	9.1	—	12.6	3.0	20.2	—	22.0	—
Drugs	**19.4**	**7**	**19.9**	**0.1**	**16.6**	**7**	**15.0**	**9.2**	**12.8**	**32**	**11.4**	**37**
Ethical drugs	21.4	—	21.9	0.2	19.0	—	18.2	12.8	13.5	—	12.5	—
Proprietary drugs	15.4	—	16.3	0.1	14.8	—	14.0	7.1	10.9	—	7.8	—
Toiletries and cosmetics	**19.4**	**7**	**19.1**	**0.2**	**14.8**	**7**	**15.0**	**7.0**	**14.4**	**22**	**12.0**	**33**
Energy	**19.3**	**9**	**24.7**	**0.5**	**15.7**	**15**	**13.3**	**5.7**	**20.8**	**3**	**17.2**	**13**
International oils	17.9	—	25.6	0.2	18.7	—	13.9	5.7	17.5	—	14.4	—
Other oil and gas	21.5	—	25.0	0.5	15.8	—	13.6	5.7	22.5	—	19.8	—
Coal	13.4	—	14.6	0.4	8.8	—	8.5	4.0	13.2	—	4.1	—
Publishing	**19.3**	**9**	**18.9**	**0.2**	**15.7**	**3**	**16.4**	**6.1**	**15.6**	**16**	**17.4**	**12**
Specialty retailers	**19.1**	**11**	**17.1**	**0.6**	**12.2**	**9**	**14.4**	**3.2**	**15.1**	**19**	**18.0**	**10**
Drug chains	19.2	—	19.5	0.6	13.6	—	14.8	2.3	19.4	—	18.0	—
Nondrug specialists	19.0	—	16.0	0.5	11.7	—	13.9	3.3	14.4	—	18.3	—
Truckers and shippers	**19.0**	**12**	**17.5**	**0.7**	**9.7**	**39**	**9.6**	**3.4**	**16.0**	**9**	**14.9**	**18**
Truckers	22.4	—	15.4	0.9	9.3	—	10.7	3.1	15.9	—	15.2	—
Other surface transportation	17.3	—	18.0	0.6	10.5	—	9.4	5.7	18.2	—	10.7	—
Insurance	**18.9**	**13**	**16.4**	**0.1**	**15.1**	**4**	**15.9**	**8.0**	**13.6**	**29**	**18.5**	**9**
Life	13.8	—	13.6	0.1	12.2	—	13.2	10.7	10.7	—	13.1	—
Fire and casualty	22.5	—	21.5	0.1	20.4	—	21.1	8.1	16.3	—	25.6	—
Multiple line	20.4	—	17.8	0.1	15.6	—	16.9	7.5	13.9	—	21.3	—
Computers	**18.7**	**14**	**15.6**	**0.2**	**13.6**	**4**	**15.9**	**7.8**	**23.3**	**2**	**19.3**	**8**
Consumer finance	**18.3**	**15**	**15.3**	**0.9**	**8.5**	**35**	**9.9**	**5.5**	**13.7**	**28**	**17.1**	**14**
Construction, mining, transport equip	**18.1**	**16**	**16.5**	**0.4**	**12.3**	**11**	**14.2**	**6.6**	**16.0**	**9**	**17.6**	**11**
Construction, materials handling	14.9	—	11.7	0.5	9.0	—	10.8	3.8	13.2	—	12.7	—
Mining and drilling equipment	20.5	—	20.8	0.4	15.6	—	15.5	9.3	21.7	—	24.3	—
Rail equipment	16.2	—	18.7	1.0	7.7	—	7.4	6.6	13.1	—	12.1	—
Health care	**18.1**	**16**	**19.3**	**0.4**	**12.6**	**18**	**12.5**	**6.8**	**19.5**	**6**	**22.7**	**4**
Construction contractors	**17.3**	**18**	**16.2**	**0.4**	**10.3**	**26**	**10.9**	**2.8**	**19.0**	**7**	**20.7**	**6**
Heavy construction	16.7	—	15.0	0.4	9.9	—	12.2	2.6	19.9	—	19.8	—
Home building	19.5	—	16.2	1.0	10.6	—	10.5	4.2	17.0	—	25.8	—
Electronics	**17.1**	**19**	**20.7**	**0.3**	**14.4**	**11**	**14.2**	**5.7**	**15.2**	**18**	**24.2**	**3**
Industrial equipment	**17.1**	**19**	**16.1**	**0.3**	**12.2**	**15**	**13.3**	**4.8**	**14.4**	**22**	**16.3**	**16**
Production equipment	17.5	—	16.9	0.4	13.0	—	13.2	5.3	14.4	—	18.0	—
Specialty equipment and materials	16.8	—	14.9	0.3	12.2	—	13.5	4.8	14.6	—	15.9	—
Chemicals	**16.9**	**21**	**16.7**	**0.4**	**11.5**	**21**	**11.8**	**5.6**	**14.7**	**20**	**13.6**	**26**
Diversified	13.6	—	14.4	0.4	10.9	—	9.9	5.0	13.2	—	8.4	—
Specialized	19.5	—	18.8	0.4	12.7	—	13.8	7.0	15.3	—	16.5	—
Aluminum	**16.5**	**22**	**21.5**	**0.5**	**13.8**	**32**	**10.3**	**9.2**	**14.3**	**24**	**24.7**	**2**
Branded foods	**16.2**	**23**	**15.2**	**0.4**	**11.4**	**20**	**12.0**	**3.3**	**12.3**	**35**	**12.9**	**30**
Diversified	15.8	—	14.7	0.4	10.5	—	11.8	3.1	11.4	—	12.6	—
Specialized	16.8	—	15.8	0.4	11.9	—	12.3	3.6	12.6	—	13.0	—
Natural gas	**16.0**	**24**	**18.2**	**0.7**	**9.4**	**41**	**8.8**	**4.6**	**19.8**	**5**	**8.6**	**43**
Producers and pipeliners	17.3	—	19.1	0.8	10.5	—	9.1	5.3	19.8	—	11.5	—
Pipeliners and distributors	18.7	—	21.8	0.7	11.3	—	10.1	6.2	25.5	—	13.5	—
Distributors	13.0	—	11.7	0.8	7.1	—	7.4	3.9	17.1	—	6.2	—

Note: Explanation of Yardsticks calculations on page 49.

Industry medians

Yardsticks of management performance

	Profitability								Growth			
	Return on equity			Return on total capital					Sales		Earnings per share	
Industry	5-year average	5-year rank	latest 12 months	debt/ equity ratio	latest 12 months	5-year rank	5-year average	net profit margin	5-year average	5-year rank	5-year average	5-year rank
Conglomerates	**15.8%**	**25**	**16.5%**	**0.6**	**9.8%**	**37**	**9.7%**	**3.9%**	**11.1%**	**39**	**14.8%**	**20**
Forest products	**15.5**	**26**	**14.3**	**0.5**	**9.7**	**27**	**10.8**	**6.0**	**12.5**	**34**	**14.6**	**21**
Wholesalers	**15.2**	**27**	**15.4**	**0.6**	**10.4**	**37**	**9.7**	**1.1**	**15.8**	**12**	**12.0**	**33**
Food distributors	15.0	—	12.7	0.6	8.6	—	9.7	0.7	16.0	—	11.5	—
Other wholesalers	16.0	—	16.7	0.5	12.4	—	11.3	2.0	12.9	—	14.1	—
Autos and trucks	**15.1**	**28**	**7.5**	**0.3**	**6.0**	**30**	**10.7**	**1.8**	**12.8**	**32**	**11.2**	**38**
Beverages	**15.0**	**29**	**12.5**	**0.3**	**10.0**	**22**	**11.7**	**4.9**	**11.7**	**37**	**10.1**	**40**
Supermarkets	**15.0**	**29**	**14.8**	**1.0**	**9.1**	**33**	**10.2**	**1.2**	**13.0**	**30**	**15.2**	**17**
Major chains	13.2	—	14.5	1.1	9.0	—	8.8	1.0	9.5	—	7.9	—
Regional chains	15.6	—	15.2	1.0	9.3	—	10.6	1.3	13.8	—	16.4	—
Household goods	**14.8**	**31**	**13.4**	**0.4**	**9.7**	**23**	**11.5**	**4.2**	**10.5**	**42**	**10.9**	**39**
Appliances	13.0	—	12.8	0.3	9.9	—	10.7	2.3	7.5	—	10.5	—
Housewares and furnishings	14.5	—	4.0	0.7	4.7	—	10.0	1.2	8.2	—	12.7	—
Housekeeping products	16.3	—	15.0	0.3	11.8	—	12.9	5.3	13.4	—	10.2	—
Brokerage	**14.7**	**32**	**24.1**	**0.3**	**23.0**	**9**	**14.4**	**6.5**	**26.1**	**1**	**14.9**	**18**
The thrifts	**14.7**	**32**	**7.9**	**0.5**	**6.4**	**14**	**13.6**	**5.1**	**20.0**	**4**	**16.5**	**15**
Building materials	**14.5**	**34**	**12.6**	**0.4**	**9.5**	**27**	**10.8**	**4.2**	**11.9**	**36**	**13.6**	**26**
Lumber	16.3	—	11.9	0.5	7.8	—	10.2	4.8	12.7	—	13.5	—
Cement and gypsum	14.1	—	14.0	0.5	10.4	—	10.1	6.5	10.4	—	14.4	—
Other building materials	13.4	—	10.7	0.4	7.7	—	10.3	3.6	9.9	—	10.9	—
Building equipment	21.7	—	20.0	0.2	13.1	—	16.3	5.3	12.2	—	17.8	—
Food processors	**14.4**	**35**	**16.1**	**0.5**	**11.6**	**25**	**11.1**	**1.9**	**9.8**	**46**	**12.8**	**31**
Meatpackers	13.7	—	15.8	0.6	11.6	—	10.8	1.1	9.8	—	6.0	—
Agricultural commodities	15.0	—	16.2	0.4	12.0	—	11.1	2.5	9.7	—	14.4	—
Diversified metals	**14.3**	**36**	**23.6**	**0.3**	**18.3**	**34**	**10.0**	**7.8**	**14.1**	**26**	**6.3**	**46**
Multi-industry companies	**14.1**	**37**	**14.9**	**0.4**	**11.0**	**27**	**10.8**	**5.0**	**9.6**	**47**	**13.5**	**28**
Auto suppliers	**14.0**	**38**	**7.1**	**0.4**	**6.3**	**30**	**10.7**	**2.4**	**11.0**	**40**	**12.3**	**32**
Tire and rubber	5.7	—	def	0.5	0.2	—	5.1	def	9.3	—	–2.0	—
Partsmakers	15.4	—	10.8	0.4	8.8	—	12.2	3.0	13.1	—	15.7	—
Telecommunications	**13.9**	**39**	**12.8**	**0.9**	**6.5**	**44**	**7.0**	**8.9**	**11.7**	**37**	**7.6**	**45**
Banks	**13.7**	**40**	**15.2**	**0.4**	**11.5**	**24**	**11.2**	**6.7**	**15.4**	**17**	**9.8**	**41**
New York banks	12.9	—	15.8	0.5	11.8	—	10.4	4.7	17.1	—	8.5	—
Regional banks	14.0	—	14.9	0.4	11.5	—	11.6	6.9	15.3	—	10.0	—
Specialty steel	**13.1**	**41**	**7.9**	**0.4**	**7.7**	**35**	**9.9**	**2.5**	**9.9**	**44**	**8.5**	**44**
Packaging	**13.0**	**42**	**12.6**	**0.5**	**8.6**	**40**	**9.4**	**3.5**	**13.0**	**30**	**11.5**	**36**
General retailers	**12.5**	**43**	**9.5**	**0.7**	**6.8**	**43**	**8.2**	**2.0**	**10.3**	**43**	**8.9**	**42**
Department stores	12.3	—	9.7	0.6	7.3	—	8.8	2.7	9.9	—	7.3	—
Discount and variety stores	12.5	—	9.1	1.0	6.5	—	7.2	1.3	13.0	—	11.7	—
Electric utilities	**11.8**	**44**	**11.3**	**0.9**	**6.3**	**46**	**6.4**	**10.1**	**15.8**	**12**	**2.2**	**47**
Northeast	11.5	—	11.3	0.9	6.3	—	6.4	9.1	13.0	—	2.8	—
Midwest	12.1	—	11.3	0.9	6.4	—	6.4	10.5	15.4	—	1.8	—
Southeast	11.8	—	11.4	0.9	5.8	—	6.1	9.6	16.8	—	2.8	—
Southwest	13.5	—	13.9	0.9	7.1	—	7.3	10.4	19.6	—	4.9	—
West	11.2	—	10.5	0.9	6.3	—	6.7	10.0	19.7	—	1.8	—
Apparel	**11.7**	**45**	**11.4**	**0.3**	**9.1**	**41**	**8.8**	**3.4**	**9.3**	**49**	**11.7**	**35**
Clothing	10.3	—	9.0	0.4	7.2	—	8.2	2.5	6.9	—	7.8	—
Textiles	9.3	—	9.3	0.3	8.4	—	7.9	3.4	9.3	—	13.9	—
Shoes	17.6	—	18.3	0.3	14.5	—	14.1	3.7	12.5	—	16.6	—
Railroads	**11.5**	**46**	**13.8**	**0.6**	**8.5**	**45**	**6.9**	**6.7**	**10.8**	**41**	**14.5**	**22**
Airlines	**11.3**	**47**	**def**	**1.2**	**1.2**	**47**	**5.7**	**def**	**15.8**	**12**	**14.2**	**24**
Copper	**8.6**	**48**	**8.9**	**0.9**	**6.3**	**48**	**5.5**	**3.5**	**9.4**	**48**	**–8.1**	**49**
Steel	**8.1**	**49**	**5.1**	**0.4**	**4.5**	**49**	**5.4**	**1.5**	**9.9**	**44**	**0.9**	**48**
All industry medians	**15.8**		**16.1**	**0.4**	**11.0**		**11.1**	**5.0**	**14.3**		**13.9**	

Note: Explanation of Yardsticks calculations on page 49.
def: deficit.

How do companies rank by the measure that counts most—the amount of return in net profits for every dollar of capital that goes in?

Who's where in profitability

THE MOST COMMONLY USED MEASURE OF PROFITABILITY for a company is return on equity. The *ultimate* measure is return on total capital—equity plus debt. Each company in the FORBES Annual Report on American Industry is ranked both ways in the following table.

Both measures are needed because return on equity alone can sometimes be misleading. If a company has had significant losses in the recent past, for example, stockholders' equity will be much smaller—so its earnings, as a percentage of that smaller base, will appear unusually high as they start to recover. You can tell which companies these may be by looking at return on total capital.

A highly leveraged company, too, can often wring a spectacular return on equity out of a modest return on total capital. In many cases, that's a measure of effective financial management; but in these days of wildly volatile interest rates, that might suggest it's time for a change in financial style or there'll be sleepless nights in the future.

For example, look at the spectacular 121.9% return on equity of Saul Steinberg's Reliance Group, number one on the list over the past five years. Losses in the mid-1970s reduced equity per share. Thus, Reliance ranks 1st in ROE but 115th in return on capital. Or take Houston Oil & Minerals. It's 5th-ranked in ROE but 146th in return on total capital largely because it financed explosive growth with heavy debt. In fact, Houston Oil's return on total capital over the past 12 months was lower than the FORBES all-industry medians (10.4% *vs.* 11%).

In addition to correlations between return on equity and return on capital, look at how 12-month performance compares with five-year performance. In last year's recession, many companies failed to better that five-year basis in return on total capital. Among those that succeeded were Reliance itself—as well as third-ranked Tosco.

Who's where in profitability

	Return on equity			Return on capital				Return on equity			Return on capital		
Company	5-year average*	rank	latest 12 months	5-year average*	rank	latest 12 months	Company	5-year average*	rank	latest 12 months	5-year average*	rank	latest 12 months
Reliance Group	121.9%	1	45.1%	18.6%	115	25.7%	Houston Natural Gas	27.1%	66	27.1%	15.2%	225	16.0%
Subaru of America	76.8	2	58.5	73.2	1	58.2	AMP	26.9	67	27.1	22.8	46	23.6
Tosco	62.7	3	49.6	18.2	124	30.2	Deluxe Check Printers	26.9	67	27.2	25.1	27	25.4
Columbia Pictures	54.4	4	24.6	21.0	72	18.5	Crown Central Petroleum	26.9	69	18.3	16.2	187	13.3
Houston Oil & Minerals	53.1	5	27.4	17.5	146	10.4	American Financial	26.8	70	7.5	8.6	730	6.6
Tandy	47.5	6	43.5	27.1	20	26.4	Holly Corp	26.8	70	22.5	18.6	112	18.5
Savin	47.3	7	23.8	35.5	3	14.7	United Energy Resources	26.8	72	29.2	17.8	135	19.2
Charter	47.3	8	25.6	24.6	35	16.2	Trinity Industries	26.8	73	37.4	20.1	88	28.0
Shaklee	44.3	9	15.5	27.5	18	10.8	Missouri Pacific	26.7	74	21.8	11.2	502	10.9
Alexander & Alexander	40.5	10	36.9	44.1	2	37.5	Lubrizol	26.7	75	30.3	24.9	31	28.2
Computer Sciences	40.3	11	32.8	18.2	125	19.6	Washington Post	26.6	76	20.0	20.0	89	17.2
Resorts Intl	38.8	12	22.7	29.8	9	16.2	Parker Pen	26.4	77	26.2	24.7	33	25.4
Howell	37.7	13	34.7	25.0	29	32.0	Dun & Bradstreet	26.4	78	29.5	26.4	25	28.8
Mitchell Enrgy & Dev	36.4	14	44.3	11.8	464	14.4	Louisiana Land	26.4	79	28.0	21.2	67	23.4
Teledyne	36.1	15	27.7	23.4	40	21.1	American Family	26.3	80	13.7	25.0	28	12.1
Emery Air Freight	35.7	16	28.8	34.4	4	26.6	U S Fidelity & Gty	26.3	80	23.7	26.4	24	23.8
Food Town Stores	35.0	17	31.0	29.3	13	24.7	EG&G	26.1	82	38.8	21.0	71	26.6
Levi Strauss	34.3	18	31.4	29.3	13	27.7	Snap-On Tools	25.9	83	23.4	21.8	56	20.7
Shearson Loeb Rhoades	34.3	19	55.9	20.1	85	34.3	Bruno's	25.9	84	29.4	16.6	172	19.4
Old Republic Intl	33.6	20	19.1	33.1	6	21.3	Caldor	25.8	85	26.6	16.6	174	13.4
SmithKline	33.4	21	38.1	28.6	15	35.6	Merck	25.8	86	25.1	21.8	57	21.4
Service Merchandise	33.4	22	17.1	23.4	40	10.5	Kaneb Services	25.8	87	29.6	14.2	272	15.1
Mission Insurance	33.3	23	30.3	27.3	19	25.9	Dover	25.8	88	28.0	21.7	58	23.9
Marsh & McLennan Cos	33.2	24	31.9	33.5	5	34.7	Fort Howard Paper	25.8	89	23.3	22.4	50	18.5
Nucor	32.8	25	37.7	23.6	37	29.0	Fairchild Industries	25.7	90	35.7	18.5	117	24.3
Schlumberger	32.6	26	36.3	29.8	9	30.0	E F Hutton Group	25.7	91	38.7	21.6	59	33.7
American Home Products	32.4	27	32.8	32.4	7	32.9	Keystone Foods	25.6	92	21.6	14.8	242	14.0
Pioneer	32.4	28	37.3	15.9	196	19.2	Ohio Casualty	25.6	93	20.8	25.0	29	20.5
Avon Products	32.1	29	28.1	31.3	8	27.2	Nalco Chemical	25.6	94	26.1	24.6	34	25.3
Standard Oil Ohio	31.9	30	58.1	13.4	349	26.2	Twentieth Century-Fox	25.6	94	20.7	18.9	106	15.9
Engelhard Minerals	31.8	31	48.8	26.0	26	40.3	Natomas	25.6	96	29.7	16.8	164	20.1
Ashland Oil	31.7	32	21.2	16.0	193	12.7	Blue Bell	25.5	97	19.0	21.5	63	17.2
Superior Oil	31.7	33	19.7	11.3	495	13.8	Pioneer Hi-Bred Intl	25.5	97	29.5	22.7	47	24.4
Warner Communications	31.5	34	34.7	19.9	92	25.0	PACCAR	25.3	99	20.2	23.2	44	19.1
Wal-Mart Stores	31.0	35	29.1	21.6	61	18.8	Parker Drilling	25.3	100	21.8	14.3	266	13.8
Parsons	30.9	36	24.6	23.5	39	21.4	Golden West Finl	25.1	101	20.8	20.8	76	16.5
RLC	30.8	37	23.0	10.8	537	10.0	Gelco	25.1	102	32.9	7.2	811	10.5
Dorchester Gas	30.7	38	36.3	19.8	94	19.7	American Intl Group	25.1	103	21.5	23.1	45	20.3
Dow Jones	30.7	38	28.6	27.8	17	25.3	Colonial Penn Group	25.0	104	17.7	24.8	32	17.7
Metromedia	30.7	40	39.0	17.5	145	19.2	Lockheed	25.0	105	2.8	8.5	737	5.0
Intel	30.5	41	30.2	29.7	11	29.2	Northrop	25.0	106	21.6	21.2	66	19.4
Best Products	30.4	42	21.3	22.5	49	8.9	Cooper Industries	24.9	107	19.9	20.4	81	13.5
Toys "R" Us	30.2	43	18.9	15.0	233	16.2	Fluor	24.8	108	27.5	20.9	74	18.5
G Heileman Brewing	30.2	44	33.7	22.3	53	23.9	McDonald's	24.7	109	22.3	13.6	333	12.0
Earth Resources	30.0	45	41.0	19.4	100	25.2	Masco	24.7	110	24.0	15.9	197	12.9
Texas Oil & Gas	29.9	46	36.7	15.4	212	16.4	Edison Bros Stores	24.6	111	19.3	20.4	80	16.3
Petrie Stores	29.4	47	23.2	29.4	12	23.2	Lucky Stores	24.5	112	22.2	15.2	228	13.6
SCOA Industries	29.4	48	28.6	17.3	155	16.5	Petrolane	24.5	113	25.4	17.0	159	17.3
Storage Technology	29.0	49	26.7	17.9	132	17.1	Dillon Companies	24.4	114	18.4	18.9	104	11.9
Occidental Petroleum	29.0	50	54.0	14.0	293	25.0	Niagara Frontier Services	24.4	115	18.3	18.1	129	11.9
Clark Oil & Refining	28.8	51	44.5	19.6	97	36.4	Square D	24.4	115	23.0	19.7	95	17.6
Pennzoil	28.8	52	37.5	12.9	400	19.2	Todd Shipyards	24.4	117	21.0	10.9	533	16.1
Melville	28.7	53	25.0	26.9	22	23.7	Centex	24.4	118	34.0	10.5	566	10.3
Kelly Services	28.5	54	25.2	28.5	16	25.3	Dayton-Hudson	24.3	119	17.1	17.6	140	14.7
Entex	28.4	55	18.7	13.9	302	10.3	Sun Chemical	24.3	119	24.1	14.9	239	13.2
ConAgra	28.3	56	21.6	16.0	191	14.2	Schering-Plough	24.3	121	23.5	23.5	38	21.9
Kellogg	28.2	57	27.2	23.4	43	22.7	Baldwin-United	24.2	122	26.3	15.7	206	14.9
Super Valu Stores	28.2	58	26.8	18.6	113	18.1	Mattel	24.2	123	14.1	17.7	138	10.8
Kay	28.1	59	36.5	14.2	279	12.5	Lear Siegler	24.2	124	22.4	14.2	280	14.4
MAPCO	28.0	60	25.6	14.3	267	13.3	Bally Manufacturing	24.1	125	19.5	17.4	148	10.6
James River Corp Va	27.9	61	21.5	15.5	210	12.9	American Standard	24.1	126	27.4	16.7	168	20.0
Maytag	27.6	62	24.5	26.7	23	23.3	Kemper	24.1	127	20.2	23.9	36	20.3
GEICO	27.4	63	35.6	13.8	309	18.4	Leaseway Transportation	24.0	128	20.9	10.6	555	9.7
Wang Laboratories	27.2	64	34.8	17.7	139	19.3	Intl Flavors & Frag	23.9	129	22.9	22.2	54	21.3
Chic & North Western	27.1	65	45.9	6.6	870	10.2	Gates Learjet	23.8	130	19.3	20.1	84	16.4

*For some companies (as noted in individual Yardsticks tables) the average return is for less than five years.

Who's where in profitability

	Return on equity			Return on capital		
Company	5-year average*	rank	latest 12 months	5-year average*	rank	latest 12 months
MGM Grand Hotels	23.8%	130	25.2%	**		[illegible]
Loews	23.8	132	24.1	10.5%	[illegible]	11.8
Briggs & Stratton	23.8	133	22.0	23.4	[illegible]	21.4
Interpublic Group	23.8	134	20.5	22.7	[illegible]	16.7
Boeing	23.7	135	31.3	20.5	[illegible]	27.0
Humana	**23.7**	**136**	**33.6**	**9.2**	**688**	**10.7**
Albertson's	**23.6**	**137**	**20.7**	**13.8**	**305**	**12.1**
Baker International	**23.6**	**138**	**24.2**	**16.7**	**167**	**17.3**
Natl Convenience Strs	**23.6**	**138**	**29.0**	**14.0**	**290**	**11.4**
Philip Morris	**23.6**	**140**	**24.7**	**13.7**	**323**	**13.6**
Amer Broadcasting	23.6	141	19.8	18.3	123	16.5
Coca-Cola	23.6	141	21.6	22.3	52	20.2
Geosource	23.5	143	27.4	19.8	93	21.2
Halliburton	23.4	144	20.4	18.7	108	17.5
Amdahl	23.3	145	4.2	27.1	21	4.4
Avco	**23.2**	**146**	**17.2**	**7.9**	**775**	**6.7**
Foster Wheeler	**23.1**	**147**	**23.3**	**18.9**	**105**	**19.8**
Hilton Hotels	**23.1**	**148**	**26.3**	**16.3**	**183**	**20.5**
Big V Supermarkets	**23.1**	**149**	**21.5**	**15.3**	**222**	**14.0**
Data General	**23.0**	**150**	**20.8**	**21.4**	**64**	**19.2**
Memorex	23.0	151	def	12.8	401	def
CBS	23.0	152	17.5	19.6	96	15.1
General Re	22.9	153	22.3	22.0	55	21.8
Piedmont Aviation	22.8	154	18.7	8.7	727	7.7
Frontier Airlines	22.8	155	17.9	15.1	232	10.4
Hoover Universal	**22.8**	**155**	**11.8**	**17.7**	**137**	**8.9**
Raytheon	**22.7**	**157**	**23.6**	**21.6**	**59**	**27.4**
St Paul Companies	**22.5**	**158**	**15.8**	**19.9**	**91**	**14.0**
Diamond Shamrock	**22.4**	**159**	**21.7**	**13.0**	**385**	**12.3**
Belco Petroleum	**22.4**	**160**	**22.5**	**17.2**	**156**	**18.2**
Natl Semiconductor	22.4	160	29.1	16.8	163	20.1
CNA Financial	22.4	162	21.7	11.5	482	12.8
Ryder System	22.4	162	17.5	9.4	669	7.1
IBM	22.4	164	22.3	21.5	62	20.4
Consol Freightways	22.4	165	13.2	17.6	142	9 9
Longs Drug Stores	**22.3**	**166**	**20.5**	**22.3**	**51**	**20.4**
Minn Mining & Mfg	**22.3**	**166**	**22.7**	**18.8**	**107**	**19.8**
Roadway Express	**22.3**	**168**	**21.3**	**21.1**	**68**	**20.0**
Bristol-Myers	**22.2**	**169**	**22.4**	**20.3**	**83**	**20.1**
Electronic Data Syst	**22.2**	**170**	**23.2**	**20.1**	**86**	**20.7**
U S Air	22.2	170	29.5	9.9	623	13.8
Vulcan Materials	22.2	172	22.2	15.2	224	16.0
Hanover Insurance	22.1	173	20.9	21.1	69	20.6
Blount	22.1	174	21.3	13.0	378	9.8
Crum & Forster	22.1	174	22.7	21.0	70	21.9
Revlon	**22.1**	**176**	**20.6**	**17.4**	**153**	**19.0**
Abbott Laboratories	**22.0**	**177**	**22.5**	**17.0**	**161**	**18.0**
Crouse-Hinds	**22.0**	**178**	**23.2**	**18.7**	**110**	**21.0**
PepsiCo	**21.9**	**179**	**22.1**	**16.0**	**194**	**15.3**
Cameron Iron Works	**21.9**	**180**	**22.3**	**14.1**	**288**	**16.1**
Capital Cities Commun	21.9	181	22.8	16.7	169	18.7
E-Systems	21.9	181	11.9	19.3	102	10.3
Auto Data Processing	21.8	183	20.3	19.5	99	16.1
Combined Internatnl	21.8	184	20.8	21.3	65	20.5
Phillips Petroleum	21.7	185	25.8	16.5	175	20.5
MCA	**21.7**	**186**	**17.8**	**20.1**	**86**	**15.8**
Rollins	**21.7**	**187**	**20.0**	**17.5**	**147**	**17.2**
Central Louisiana Engy	**21.7**	**188**	**29.4**	**10.4**	**571**	**14.3**
Denny's	**21.7**	**189**	**12.7**	**12.9**	**396**	**7.3**
Eli Lilly	**21.6**	**190**	**21.3**	**21.0**	**73**	**20.9**
Tyler	21.6	191	16.1	15.4	213	10.8
Oklahoma Natural Gas	21.6	192	18.6	11.6	476	10.4
Tyson Foods	21.6	193	2.6	14.3	267	3.4
Dean Foods	21.5	194	21.2	15.6	207	15.6
Pacific Resources	21.5	195	26.6	11.1	515	14.0

	Return on equity			Return on capital		
Company	5-year average*	rank	latest 12 months	5-year average*	rank	latest 12 months
Revco D S	21.4%	196	20.2%	17.6%	143	16.9%
Farmers Group	21.3	197	19.1	20.3	82	18.8
Smith International	21.2	198	20.8	17.5	144	15.9
Circle K	21.2	199	30.1	14.0	292	16.9
American Stores	21.2	200	20.1	17.8	133	9.2
Sundstrand	**21.2**	**200**	**23.4**	**13.1**	**373**	**15.8**
Amsted Industries	**21.1**	**202**	**23.2**	**20.6**	**77**	**22.6**
Handy & Harman	**21.1**	**202**	**31.4**	**14.1**	**284**	**20.0**
Ametek	**21.1**	**204**	**18.7**	**16.5**	**175**	**13.1**
Upjohn	**21.1**	**205**	**22.4**	**15.3**	**218**	**16.1**
Dow Chemical	21.1	206	19.4	13.0	385	11.7
Hyster	21.1	206	16.3	17.0	159	14.1
Bausch & Lomb	21.1	208	25.0	16.6	170	21.3
Genuine Parts	21.1	208	20.6	20.9	75	19.7
Rite Aid	21.1	210	20.2	18.5	119	17.8
Cabot	**21.0**	**211**	**39.6**	**13.8**	**309**	**23.7**
Amerada Hess	**21.0**	**212**	**29.0**	**15.0**	**237**	**20.5**
Emerson Electric	**20.9**	**213**	**21.4**	**19.3**	**101**	**19.9**
U S Home	**20.9**	**214**	**25.3**	**10.9**	**532**	**12.9**
Iowa Beef Processors	**20.9**	**215**	**19.7**	**16.0**	**195**	**16.2**
Times Mirror	20.8	216	18.2	18.2	128	13.8
Aetna Life & Casualty	20.8	217	17.9	18.5	119	16.4
Combustion Engnrng	20.8	218	32.6	12.3	431	12.2
Copeland	20.8	218	22.5	18.2	127	17.8
Farm House Foods	20.7	220	17.8	9.7	639	8.6
Winn-Dixie Stores	**20.7**	**221**	**18.3**	**18.4**	**122**	**15.7**
Conoco	**20.7**	**222**	**25.9**	**14.4**	**263**	**17.2**
Gannett	**20.6**	**223**	**20.9**	**18.6**	**113**	**18.3**
Mead	**20.6**	**224**	**17.7**	**12.3**	**432**	**12.0**
CBI Industries	**20.6**	**225**	**19.3**	**16.8**	**165**	**15.8**
Intl Minerals & Chem	20.6	226	18.8	13.5	337	12.4
Avnet	20.6	227	21.5	17.4	154	19.8
Waste Management	20.6	227	23.8	13.1	371	16.4
Weis Markets	20.6	227	19.3	20.6	78	19.4
R J Reynolds Inds	20.5	230	21.6	14.8	244	14.7
Republic New York	**20.5**	**231**	**31.0**	**13.7**	**329**	**18.4**
Host International	**20.5**	**232**	**19.2**	**13.0**	**381**	**12.2**
NN	**20.5**	**233**	**22.0**	**19.1**	**103**	**16.6**
TRW	**20.4**	**234**	**19.8**	**13.4**	**352**	**13.3**
Marley	**20.4**	**235**	**15.6**	**17.8**	**134**	**15.4**
American Express	20.4	236	20.0	16.6	173	15.4
Chesebrough-Pond's	20.3	237	22.2	16.5	177	17.8
General Electric	20.3	237	20.2	18.1	130	18.1
Scott & Fetzer	20.3	239	14.3	16.3	186	11.1
Idle Wild Foods	20.3	240	16.3	16.3	181	12.5
Northwest Industries	**20.3**	**240**	**16.5**	**12.4**	**427**	**9.9**
Hardee's Food Systems	**20.2**	**242**	**21.1**	**12.2**	**437**	**10.8**
Consolidated Papers	**20.2**	**243**	**20.8**	**17.6**	**141**	**17.7**
Republic Finl Svcs	**20.2**	**243**	**16.5**	**15.9**	**199**	**13.7**
Milton Bradley	**20.1**	**245**	**23.1**	**15.7**	**203**	**20.3**
Pay Less Drug NW	20.1	246	19.6	14.8	243	12.4
Caterpillar Tractor	20.1	247	14.6	15.0	238	11.8
Safeco	20.0	248	16.6	15.8	202	13.9
McGraw-Hill	20.0	249	21.4	17.4	149	19.3
Wyman-Gordon	20.0	250	17.8	15.7	203	14.5
W W Grainger	**20.0**	**251**	**17.5**	**19.5**	**98**	**17.2**
Alco Standard	**19.8**	**252**	**18.8**	**14.7**	**247**	**13.4**
Dresser Industries	**19.8**	**252**	**17.7**	**15.7**	**205**	**14.8**
A C Nielsen	**19.8**	**252**	**18.8**	**20.0**	**89**	**19.2**
Flowers Industries	**19.8**	**255**	**15.9**	**12.4**	**429**	**10.8**
Harris Corp	19.8	256	19.7	15.1	230	13.2
Pitney Bowes	19.7	257	19.7	13.1	315	13.4
Dexter	19.7	258	18.8	14.9	240	13.1
Malone & Hyde	19.7	259	18.8	17.0	158	14.2
Modern Merchandising	19.7	260	6.6	13.9	297	5.2

*For some companies (as noted in individual Yardsticks tables) the average return is for less than five years.

**Not available; not ranked. def: deficit.

Who's where in profitability

Company	Return on equity			Return on capital		
	5-year average*	rank	latest 12 months	5-year average*	rank	latest 12 months
Freeport Minerals	19.7%	261	35.5%	15.4%	217	24.4%
General Cinema	19.6	262	17.3	12.8	401	11.2
Johnson Controls	19.6	263	10.9	16.2	188	8.9
Air Prods & Chems	19.6	264	20.3	11.6	474	11.4
Sun Company	19.5	265	25.2	13.6	335	18.1
Ryan Homes	19.5	266	15.9	17.4	149	13.9
Cincinnati Milacron	19.4	267	31.2	13.3	361	21.3
Procter & Gamble	19.4	268	19.1	15.0	235	14.8
Mallinckrodt	19.4	269	16.4	14.2	273	13.0
Sigmor	19.4	269	22.7	14.6	255	16.1
Texas Instruments	19.4	269	21.4	18.6	116	21.1
Tektronix	19.3	272	18.8	16.9	162	15.4
Supermarkets General	19.3	273	19.0	9.9	615	10.3
Willamette Inds	19.3	273	17.3	13.7	328	13.2
Clorox	19.3	275	15.4	15.2	226	13.1
Norris Industries	19.3	275	9.5	17.4	152	9.1
Federal-Mogul	19.3	277	16.5	14.8	244	13.8
Eastman Kodak	19.3	278	21.2	18.2	126	20.1
Gulf & Western Inds	19.3	278	19.4	9.2	686	9.5
Johnson & Johnson	19.3	280	19.5	18.7	108	18.7
Jack Eckerd	19.2	281	19.3	18.7	111	18.5
InterNorth	19.1	282	21.2	10.4	573	12.1
Kimberly-Clark	19.1	283	14.2	14.4	261	12.1
Nabisco	19.1	283	20.3	13.0	380	14.1
Dana	19.1	285	10.5	14.7	246	8.7
Atlantic Richfield	19.1	286	26.0	12.6	416	16.0
Union Camp	19.0	287	18.1	13.5	338	13.0
CPC International	19.0	288	19.1	15.4	213	15.6
Yellow Freight System	19.0	289	9.0	13.6	332	5.9
Chubb	19.0	290	19.1	17.4	149	18.0
Morse Shoe	19.0	291	16.0	16.8	166	11.7
Southwestern Pub Svc	18.9	292	15.7	8.0	766	7.0
Marathon Oil	18.9	293	22.4	12.6	416	13.6
Heck's	18.9	294	20.0	14.5	259	11.6
Mercantile Texas	18.9	294	18.8	14.4	262	14.0
Lowe's Companies	18.9	296	12.4	14.6	257	10.4
Arvin Industries	18.9	297	5.9	12.3	435	5.5
Barnes Group	18.9	298	19.5	15.0	234	15.2
Evans Products	18.9	298	15.1	11.9	461	10.4
Cullum Companies	18.8	300	22.7	10.6	555	13.0
Equifax	18.8	300	16.8	16.1	189	13.4
Xerox	18.8	302	18.7	15.4	215	16.1
Hospital Corp of Am	18.7	303	18.0	8.9	705	9.7
Santa Fe Intl	18.7	304	16.6	10.7	547	9.8
Franklin Mint	18.7	305	18.3	15.2	228	14.7
Hewlett-Packard	18.7	306	21.4	18.1	131	20.6
American Brands	18.7	307	26.2	13.2	363	17.6
American General	18.7	308	16.3	14.6	253	14.7
Stauffer Chemical	18.6	309	15.2	13.0	375	11.4
Tecumseh Products	18.5	310	14.9	18.5	117	15.0
Thiokol	18.5	311	18.2	13.8	319	12.9
K mart	18.5	312	12.3	14.2	275	8.7
United Technologies	18.5	312	16.7	12.9	393	11.6
Provident Life & Acc	18.5	314	16.2	18.5	121	16.2
Standard Oil Indiana	18.4	315	22.8	13.6	331	15.9
Alcan Aluminium	18.4	316	26.4	12.3	433	17.2
So Natural Resources	18.4	316	18.4	10.3	589	11.7
National Svc Inds	18.4	318	21.1	15.8	201	18.6
Big Three Industries	18.4	319	19.8	14.6	249	15.1
DPF	18.4	319	9.2	7.9	771	6.1
Wallace-Murray	18.4	321	16.5	13.3	362	12.2
General Mills	18.3	322	17.9	13.7	323	13.6
Transamerica	18.3	323	18.0	11.2	511	9.8
Curtice-Burns	18.3	324	14.4	11.1	513	7.1
Colt Industries	18.2	325	17.5	11.6	473	11.5

Company	Return on equity			Return on capital		
	5-year average*	rank	latest 12 months	5-year average*	rank	latest 12 months
Echlin Manufacturing	18.2%	325	6.2%	13.7%	329	6.0%
Hershey Foods	18.2	325	17.5	15.3	220	12.2
Panhandle Eastern	18.2	328	19.3	9.2	687	9.8
Bangor Punta	18.2	329	19.3	10.5	567	10.9
Bucyrus-Erie	18.2	329	13.9	14.2	277	11.4
NCR	18.2	329	15.6	13.8	313	13.6
Owens-Corning Fbrgls	18.2	332	8.3	13.8	316	6.7
Illinois Tool Works	18.2	333	17.9	17.8	136	17.4
Ark Louisiana Gas	18.2	334	22.3	9.7	644	10.4
Moore Corp	18.2	334	18.5	14.3	269	14.9
Texas Commerce Bshs	18.2	336	19.7	16.6	170	18.1
Transway Intl	18.2	336	11.5	14.6	257	9.7
Cone Mills	18.1	338	18.3	15.9	200	16.8
Kings Dept Stores	18.1	339	9.0	13.8	313	6.5
Campbell Taggart	18.1	340	17.8	13.6	334	13.2
Whirlpool	18.1	341	13.9	15.6	208	12.7
Witco Chemical	18.1	342	17.0	12.0	455	11.0
Hughes Tool	18.0	343	20.7	15.3	221	15.2
Archer Daniels Midland	18.0	344	19.8	14.1	287	14.9
Georgia-Pacific	18.0	345	12.7	10.9	531	7.5
Trans Union	18.0	345	20.7	6.9	845	6.6
Raymond Intl	18.0	347	4.3	13.7	326	4.2
Fuqua Industries	18.0	348	23.1	10.7	546	12.5
Ideal Basic Inds	17.9	349	19.9	12.4	428	11.3
Digital Equipment	17.9	350	17.5	15.9	197	14.9
BankAmerica	17.9	351	18.5	13.8	311	14.7
Exxon	17.9	351	25.3	13.8	321	18.6
Ogden	17.9	353	16.5	8.8	714	8.8
Carpenter Technology	17.9	354	17.3	16.4	180	16.1
Mobil	17.9	354	26.5	13.2	366	18.8
Universal Foods	17.8	356	12.7	14.1	284	10.5
Wheelabrator-Frye	17.8	357	19.5	13.6	335	13.8
Standard Oil Calif	17.8	358	24.9	14.4	265	19.9
United Telecom	17.8	359	15.9	7.5	792	6.7
Universal Leaf	17.8	360	18.8	16.0	192	15.7
Southern Union	17.8	361	22.7	9.7	639	12.6
Parker-Hannifin	17.8	362	17.0	13.7	325	13.8
Pfizer	17.7	363	17.6	13.3	353	13.6
General Foods	17.7	364	15.9	14.2	277	13.2
RCA	17.7	365	15.3	11.7	469	11.0
Ethyl	17.7	366	14.2	11.0	522	10.1
Pay'n Save	17.7	367	15.1	13.8	306	10.8
Weyerhaeuser	17.7	368	14.3	12.3	433	10.5
Fleming Companies	17.7	369	18.2	12.7	411	12.5
Earle M Jorgensen	17.7	369	16.9	14.9	241	14.6
Meredith	17.7	369	19.1	12.1	448	12.4
U S Bancorp	17.7	369	17.3	13.9	294	13.0
Carnation	17.6	373	17.6	14.2	273	14.4
Emhart	17.6	374	13.9	16.3	182	12.0
First Intl Bshs	17.6	375	18.6	14.2	280	13.9
United States Shoe	17.6	375	18.3	13.5	340	14.5
Shell Oil	17.6	377	20.9	13.0	383	13.0
Transco Companies	17.6	377	20.6	7.1	818	7.8
Murphy Oil	17.5	379	26.8	10.3	582	15.7
Gillette	17.5	380	19.0	13.1	372	14.2
Harsco	17.5	380	14.7	14.2	271	12.6
Tesoro Petroleum	17.5	380	64.4	10.6	554	31.1
Scovill	17.5	383	12.8	12.0	449	8.9
Economics Laboratory	17.5	384	16.9	13.5	338	12.2
Texas Eastern	17.5	384	21.0	8.9	711	10.7
White Consolidated	17.4	386	12.7	10.3	584	8.9
Union Oil California	17.4	387	21.0	12.0	455	14.3
Time Inc	17.4	388	14.0	13.5	340	10.4
Natl Medical Entrprs	17.4	389	21.8	8.2	755	11.5
Northwest Energy	17.4	390	19.4	8.7	724	10.2

*For some companies (as noted in individual Yardsticks tables) the average return is for less than five years.

Who's where in profitability

Company	Return on equity			Return on capital		
	5-year average*	rank	latest 12 months	5-year average*	rank	latest 12 months
Nashua	17.4%	391	14.9%	12.9%	393	11.7%
Central Tel & Utils	17.3	392	17.5	7.5	799	7.6
DEKALB AgResearch	17.3	392	16.3	13.4	346	12.5
Rexnord	17.3	392	13.6	13.9	302	10.6
Sonoco Products	17.3	392	18.0	14.6	255	14.6
Turner Construction	17.3	396	22.6	17.2	157	22.3
Chromalloy American	17.3	397	13.8	9.7	635	9.1
Moore McCormack Res	17.3	397	18.0	9.2	691	9.2
Martin Marietta	17.3	399	18.7	12.9	396	15.2
Stanadyne	17.3	399	12.0	15.2	227	10.1
Louisiana-Pacific	17.2	401	10.9	11.2	509	7.7
Cessna Aircraft	17.2	402	10.3	13.8	316	9.2
Wm Wrigley Jr	17.1	403	12.7	16.4	179	12.2
Tenneco	17.1	404	18.8	9.7	644	10.6
GK Technologies	17.1	405	24.8	10.4	578	14.4
Baxter Travenol Labs	17.0	406	16.6	13.0	379	12.9
Whittaker	17.0	406	23.3	12.0	457	19.1
Sysco	17.0	408	18.4	12.8	407	14.0
United Refining	16.9	409	14.5	11.8	467	10.6
Beatrice Foods	16.9	410	15.2	13.9	297	11.8
North American Coal	16.9	411	17.2	6.8	855	5.9
Deere	16.9	412	11.2	13.3	359	9.3
Getty Oil	16.9	413	24.7	13.9	296	20.0
Connecticut General	16.9	414	15.9	16.3	185	15.6
Foremost-McKesson	16.8	415	15.2	9.6	650	9.9
Ralston Purina	16.8	416	15.7	11.9	461	11.6
Crane	16.8	417	12.1	9.9	615	7.9
Insilco	16.8	417	16.8	10.0	606	9.5
Knight-Ridder News	16.8	417	16.2	15.4	216	15.0
Brown-Forman Dist	16.8	420	23.9	13.0	377	17.1
Zurn Industries	16.8	421	16.7	11.9	459	12.6
Seaway Food Town	16.7	422	17.7	11.0	523	10.2
Longview Fibre	16.7	423	9.3	15.3	222	8.8
Perkin-Elmer	16.7	424	20.7	15.5	211	17.4
VF	16.7	425	19.3	14.3	270	16.5
General Motors	16.7	426	def	15.1	231	def
Republic of Texas	16.7	426	16.3	13.9	300	13.1
Delta Air Lines	16.7	428	12.1	9.1	695	7.5
Valley Natl Bk Ariz	16.7	428	18.8	15.0	235	19.1
Harvey Hubbell	16.7	430	17.6	16.3	183	16.6
Alcoa	16.6	431	20.2	11.0	520	14.3
Pillsbury	16.6	431	17.1	11.6	476	10.5
Crown Cork & Seal	16.6	433	15.3	14.1	286	13.5
Eaton	16.6	433	14.0	10.8	537	9.4
Marsh Supermarkets	16.6	435	15.8	10.4	580	8.5
Texas Gas Transmn	16.6	435	18.2	9.1	697	10.3
Wetterau	16.6	435	16.1	12.8	404	12.3
A H Robins	16.5	438	18.4	14.6	251	17.1
Federal Co	16.5	439	7.6	14.6	251	7.1
Michigan National	16.5	440	13.1	13.2	366	10.7
Butler Manufacturing	16.5	441	12.7	13.8	316	10.7
Eagle-Picher Inds	16.5	441	12.6	12.9	395	10.3
Travelers	16.5	441	16.2	15.6	209	15.6
General Instrument	16.5	444	20.9	12.6	415	17.4
USLIFE	16.5	444	14.5	13.4	344	11.2
McDonough	16.4	446	11.4	14.1	282	10.5
R H Macy	16.4	447	19.2	11.1	516	13.2
Kaiser Alum & Chem	16.4	448	22.7	9.5	663	13.3
Quaker Oats	16.4	449	16.4	11.6	479	12.3
Fred Meyer	16.4	450	12.3	10.8	542	7.9
Textron	16.4	451	14.4	13.3	359	12.0
Black & Decker	16.3	452	17.5	13.4	350	15.0
Amer Medical Intl	16.2	453	20.9	9.0	701	11.6
First City Bancorp	16.2	454	17.9	14.6	253	16.0
Heublein	16.2	454	16.8	11.7	472	12.0
Hannaford Bros	16.1%	456	16.3%	10.6%	557	8.8%
Midland-Ross	16.1	457	17.8	12.1	444	13.4
Walgreen	16.1	457	19.5	11.4	493	14.1
United States Gypsum	16.1	459	15.2	11.9	461	11.5
Business Men's Assur	16.1	460	16.1	13.4	346	15.6
Republic Natl Life	16.1	461	15.2	16.1	190	15.2
National City	16.1	462	14.5	16.5	178	14.2
Imperial Corp of Am	16.1	463	10.5	13.8	321	8.6
Sterling Drug	16.0	464	16.4	14.7	247	14.6
ENSERCH	16.0	465	21.5	9.0	702	11.5
Norton	16.0	465	18.4	13.2	369	14.9
E I du Pont	16.0	467	13.8	12.2	437	10.9
Dennison Mfg	16.0	468	14.1	13.5	342	12.3
General Signal	16.0	468	16.5	14.4	260	15.5
Nash Finch	16.0	468	12.7	13.4	348	10.2
McDermott	16.0	471	6.9	12.6	418	5.2
Morrison-Knudsen	15.9	472	17.9	11.8	466	13.1
Standard Brands	15.9	473	16.8	10.9	526	11.2
Citicorp	15.9	474	15.5	10.4	572	9.1
Continental Illinois	15.9	474	16.4	13.3	353	13.1
Bendix	15.9	476	17.0	13.0	385	15.1
Dayco	15.8	477	8.0	8.0	768	5.6
Penn Traffic	15.8	477	14.7	12.9	396	11.0
Southland	15.8	479	14.2	9.9	619	8.2
Ferro	15.8	480	14.5	13.8	306	12.2
Fieldcrest Mills	15.8	481	11.9	11.2	509	8.9
Motorola	15.8	481	17.3	14.0	291	14.4
City Investing	15.7	483	16.1	8.5	738	8.4
Gordon Jewelry	15.7	483	14.8	13.2	365	12.3
NICOR	15.7	485	15.9	8.3	752	8.5
New York Times	15.7	486	19.0	13.8	319	16.3
Rockwell Intl	15.7	486	18.6	11.3	496	14.1
Seafirst	15.7	486	15.4	14.6	249	13.9
George A Hormel	15.7	489	19.4	13.9	300	17.2
McCormick	15.7	490	15.1	12.1	439	11.6
Gould	15.7	491	11.0	12.0	453	7.9
Signode	15.7	492	14.1	13.1	374	11.7
Crocker National	15.6	493	15.2	11.1	516	11.6
Koppers	15.6	494	10.9	11.8	468	8.5
Potlatch	15.6	495	9.2	11.2	505	6.5
Consolidated Foods	15.6	496	16.7	12.4	430	11.8
H J Heinz	15.6	497	17.1	12.0	454	13.1
Suburban Propane Gas	15.6	497	18.1	9.6	661	11.0
American Petrofina	15.6	499	23.9	11.4	494	16.1
Anheuser-Busch Cos	15.6	500	18.1	10.0	608	11.5
Jim Walter	15.6	500	11.3	9.9	612	7.9
Stanley Works	15.5	502	14.0	12.5	423	12.2
Empire	15.5	503	15.9	9.7	631	10.6
General Dynamics	15.5	504	22.9	12.4	424	17.5
Texasgulf	15.4	505	36.4	9.5	662	20.3
Gerber Products	15.4	506	14.9	13.8	311	12.8
INA	15.4	506	17.8	13.9	302	14.9
Minnesota Gas	15.4	508	13.8	9.4	672	8.9
Stone Container	15.4	509	21.7	9.8	625	12.8
Giant Food	15.4	510	12.6	10.1	601	8.6
Corning Glass Works	15.4	511	13.5	12.9	391	11.9
Campbell Soup	15.3	512	14.9	13.9	294	12.8
Champion Intl	15.3	512	11.3	9.0	698	7.6
A E Staley Mfg	15.3	512	25.7	11.2	501	16.7
Clark Equipment	15.3	515	10.0	11.7	471	8.4
Merrill Lynch	15.3	515	23.0	15.3	219	23.0
Northwest Bancorp	15.3	517	15.7	12.1	447	11.3
Security Pacific	15.3	517	16.6	12.9	390	13.4
Liquid Air of No Amer	15.3	519	13.8	11.5	485	10.0
J P Morgan	15.3	520	16.1	13.0	385	13.9

*For some companies (as noted in individual Yardsticks tables) the average return is for less than five years.
def: deficit.

Who's where in profitability

	Return on equity			Return on capital		
Company	5-year average*	rank	latest 12 months	5-year average*	rank	latest 12 months
Peoples Energy	15.2%	521	13.5%	8.1%	763	8.0%
Continental Corp	15.2	522	13.1	14.2	275	13.1
Amer Hospital Supply	15.2	523	16.5	12.9	396	13.7
Athlone Industries	15.1	524	5.3	8.3	753	4.6
Fruehauf	15.1	525	7.5	9.7	639	6.0
St Joe Minerals	15.1	525	16.7	12.0	452	11.8
Public Service Indiana	15.1	527	13.9	7.4	800	7.0
Squibb	15.1	528	13.1	11.5	482	10.1
Western Bancorp	15.1	529	16.0	12.1	440	12.6
Harcourt Brace Jovan	15.1	530	17.9	11.6	476	12.2
Godfrey	15.1	531	13.9	10.1	599	9.5
Beckman Instruments	15.0	532	14.9	12.5	421	12.3
International Paper	15.0	533	9.8	10.1	597	7.7
Gt Northern Nekoosa	15.0	534	16.1	10.6	553	11.1
Purex Industries	15.0	534	14.5	11.3	500	11.3
Rainier Bancorp	15.0	534	13.9	13.2	370	12.9
Joy Manufacturing	15.0	537	15.1	13.0	389	12.7
Hobart	15.0	538	14.9	11.9	459	12.2
Royal Crown Cos	15.0	538	12.5	13.0	375	9.3
Super Food Services	15.0	540	12.4	9.6	653	8.4
Ball Corp	14.9	541	15.6	10.6	558	9.8
R R Donnelley & Sons	14.9	541	15.1	13.4	345	13.3
Riegel Textile	14.9	541	15.2	10.8	534	11.0
Westvaco	14.9	544	15.5	10.0	604	10.3
Signal Companies	14.9	545	13.9	10.7	549	10.3
Cummins Engine	14.9	546	def	10.2	592	0.1
First Bank System	14.9	546	15.3	12.1	443	12.3
Marriott	14.9	546	19.2	8.3	750	9.8
Pneumo	14.9	549	15.9	11.2	502	9.0
Wells Fargo	14.8	550	13.8	11.2	502	10.1
Berkshire Hathaway	14.8	551	10.9	12.0	449	10.1
Flickinger	14.8	552	15.4	12.6	413	12.7
Foxboro	14.8	552	10.5	13.3	353	9.9
Interco	14.8	552	14.5	13.3	356	12.0
Masonite	14.8	552	11.5	12.8	401	10.0
Sperry	14.8	556	15.1	10.8	535	11.1
Richardson-Merrell	14.8	557	16.2	13.2	363	15.0
H F Ahmanson	14.7	558	7.8	12.7	409	6.4
Household Finance	14.7	558	12.3	7.0	828	6.0
Kidde	14.7	558	16.5	9.5	666	9.9
Paine Webber	14.7	558	5.9	11.2	508	5.1
Raychem	14.7	558	18.7	13.7	326	17.2
Champion Spark Plug	14.7	563	10.9	13.5	343	10.1
Federated Dept Stores	14.7	564	15.9	12.9	391	13.2
Gulf United	14.7	565	16.4	12.5	420	13.6
Lone Star Industries	14.6	566	16.1	9.7	644	10.9
North Amer Philips	14.6	566	12.7	10.1	598	9.1
Seaboard Allied Milling	14.6	568	10.6	10.3	587	7.9
Gt Western Financial	14.6	569	7.9	13.3	358	6.3
Newmont Mining	14.6	569	30.1	10.5	567	21.4
Burroughs	14.5	571	13.3	12.8	406	12.0
Maryland Cup	14.5	571	15.0	10.1	600	10.6
American Greetings	14.5	573	13.8	10.9	526	10.0
Toro	14.5	574	def	11.6	479	def
Indianapolis Pwr & Lt	14.5	575	16.1	6.9	836	7.7
SEDCO	14.5	575	12.9	9.1	696	8.5
Houston Industries	14.5	577	13.9	7.7	787	7.1
Levitz Furniture	14.5	577	12.7	9.7	637	8.6
Reeves Brothers	14.5	577	13.8	12.1	440	11.7
Becton, Dickinson	14.5	580	14.4	12.1	444	12.2
Kroger	14.5	580	15.1	10.2	596	10.2
Dean Witter Reynolds	14.4	582	22.5	14.4	263	19.5
Amer Hoist & Derrick	14.4	583	13.4	9.9	612	9.6
Easco	14.4	583	4.3	10.0	610	4.4
General Tel & Elec	14.4	585	9.9	7.0	832	[illegible]

	Return on equity			Return on capital		
Company	5-year average*	rank	latest 12 months	5-year average*	rank	latest 12 months
ACF Industries	14.4%	586	16.6%	7.9%	777	8.7%
Ampex	14.4	587	16.4	8.8	713	12.1
Browning-Ferris Inds	14.4	587	17.4	9.2	685	11.0
Manufacturers Hanover	14.4	587	14.3	11.2	505	11.1
Brown Group	14.4	590	16.0	11.5	487	12.7
Norton Simon	14.3	591	12.7	9.7	635	8.4
Timken	14.3	591	14.2	13.4	350	13.2
Ruddick	14.3	593	15.5	9.9	617	9.7
Mercantile Bancorp	14.3	594	16.3	11.2	511	12.5
Fisher Scientific	14.3	595	16.2	10.9	530	12.1
Hartfield-Zodys	14.3	596	9.1	7.2	814	6.0
PPG Industries	14.3	596	14.7	10.7	552	11.0
First Boston	14.2	598	27.5	14.1	283	24.6
Ingersoll-Rand	14.2	598	14.0	11.0	524	10.8
Mercantile Stores	14.2	600	11.5	11.5	486	9.1
Peabody Intl	14.2	600	13.1	11.7	470	11.1
Union Carbide	14.2	600	16.2	10.0	603	10.9
Oscar Mayer	14.2	603	10.0	11.9	458	8.9
Warner-Lambert	14.2	604	12.0	11.0	521	8.7
Kerr-McGee	14.2	605	14.6	10.8	537	10.2
H K Porter	14.2	605	12.4	10.8	540	9.2
NVF	14.1	607	7.9	11.5	488	3.5
Quaker State Oil	14.1	607	11.5	9.6	653	8.0
Stewart-Warner	14.1	609	11.6	13.9	299	11.4
Central & South West	14.1	610	13.9	7.1	821	6.9
Tampa Electric	14.1	611	15.4	6.4	882	6.9
McGraw-Edison	14.1	612	10.3	12.7	410	5.5
Western Air Lines	14.0	613	def	6.5	878	def
Ex-Cell-O	14.0	614	13.7	12.8	405	11.7
Pittsburgh National	14.0	615	15.3	13.2	368	13.2
Jefferson-Pilot	14.0	616	13.3	13.8	306	13.2
AMAX	14.0	617	23.4	10.3	583	17.2
Cities Service	14.0	617	21.4	10.0	609	14.3
Colgate-Palmolive	13.9	619	9.7	12.2	436	8.1
Pennwalt	13.9	620	12.0	9.8	626	8.5
Texaco	13.9	621	21.5	10.4	575	15.4
Westinghouse Electric	13.9	622	17.8	11.5	488	15.2
Continental Tel	13.9	623	14.0	6.6	869	6.5
Amer Natl Resources	13.8	624	11.6	7.2	812	5.6
Safeway Stores	13.8	624	11.3	9.4	670	7.5
Peoples Drug Stores	13.8	626	17.0	11.3	498	13.6
New England G & E	13.8	627	14.7	6.9	841	7.0
Wachovia	13.7	628	13.7	12.7	408	13.0
NCNB	13.7	629	15.8	9.6	648	11.2
Walter E Heller Intl	13.7	630	14.0	7.3	808	7.3
Gulf Oil	13.6	631	16.9	11.4	491	13.8
National Gypsum	13.6	632	12.8	10.5	563	9.9
Garfinckel Brooks Bros	13.6	633	12.7	9.8	629	9.5
H H Robertson	13.6	633	17.7	10.7	548	13.3
Borg-Warner	13.6	635	11.9	12.1	442	11.1
May Dept Stores	13.6	636	13.6	9.2	688	8.7
Waldbaum	13.6	636	13.1	9.8	627	8.5
Wisconsin Public Svc	13.6	636	13.2	7.2	817	6.7
Gibraltar Financial	13.6	639	def	14.0	289	0.0
W R Grace	13.6	639	17.5	9.9	620	12.2
Hercules	13.6	639	11.2	10.3	584	9.0
Fischbach	13.6	642	12.3	10.5	564	10.0
Allen Group	13.5	643	12.5	9.4	675	8.8
Alleghany	13.5	644	15.7	12.6	419	10.6
First Charter Finl	13.5	644	5.9	12.4	425	4.8
Capital Holding	[illegible]	646	13.7	13.3	356	13.7
Arizona Public Service	13.5	647	12.7	7.5	790	7.3
Gifford-Hill	13.5	648	9.7	9.6	653	4.1
FMC	13.5	649	12.6	9.7	639	9.3
Manufacturers National	13.5	649	12.3	11.4	490	10.7

*For some companies (as noted in individual Yardsticks tables) the average return is for less than five years.
def: deficit.

Who's where in profitability

Company	Return on equity			Return on capital		
	5-year average*	rank	latest 12 months	5-year average*	rank	latest 12 months
G D Searle	13.5%	651	19.0%	10.0%	606	13.3%
Copperweld	13.4	652	10.8	10.6	559	8.4
Bird & Son	13.4	653	0.5	12.4	426	0.4
Long Island Lighting	13.4	653	12.9	7.5	790	7.8
Dorsey	13.4	655	12.7	9.2	693	7.9
Avery International	13.4	656	14.0	9.9	621	10.0
Honeywell	13.4	656	13.2	10.1	602	10.0
Pittston	13.4	656	11.9	11.3	496	9.6
Irving Bank	13.3	659	16.6	10.3	584	12.5
DeSoto	13.3	660	13.5	10.8	542	10.9
A-T-O	13.3	661	15.7	7.8	781	8.4
Consol Natural Gas	13.3	661	11.7	7.9	774	7.1
Dravo	13.3	661	10.5	10.8	541	8.5
Central Steel & Wire	13.3	664	8.3	13.0	383	8.0
Union Pacific	13.3	665	15.6	8.9	709	10.3
Arcata	13.3	666	11.6	9.6	652	7.4
Allied Stores	13.2	667	11.3	9.4	679	8.4
Anchor Hocking	13.2	667	10.0	10.4	580	7.9
DETROITBANK	13.2	669	10.6	12.6	412	9.9
Texas Utilities	13.2	669	14.2	7.3	807	7.6
Trane	13.2	669	16.0	10.8	535	13.2
Boise Cascade	13.2	672	11.4	9.7	634	7.9
Greyhound	13.2	673	15.8	9.6	656	11.6
Fedl Natl Mortgage	13.2	674	3.5	4.2	975	3.8
Purolator	13.2	674	10.7	10.5	561	8.7
AMF	13.1	676	12.9	9.3	681	9.7
Federal Paper Board	13.1	677	16.9	7.7	785	8.9
Hanna Mining	13.1	677	11.5	11.6	475	9.4
McDonnell Douglas	13.1	679	10.4	12.5	421	10.4
Kansas Power & Light	13.0	680	14.0	6.8	849	7.1
Brooklyn Union Gas	13.0	681	14.6	7.6	789	8.3
Laclede Gas	13.0	681	13.1	7.1	822	7.0
Reynolds Metals	13.0	681	16.4	7.5	793	9.7
American Natl Ins	13.0	684	12.4	13.0	381	12.3
Continental Group	13.0	685	14.1	9.4	672	9.1
National Can	13.0	686	19.7	9.3	682	13.4
Intl Multifoods	13.0	687	9.6	9.8	627	7.5
Duke Power	13.0	688	13.9	6.8	846	7.2
Sunbeam	13.0	688	12.0	10.5	567	9.9
Caesars World	13.0	690	34.9	7.4	805	17.1
Lincoln National	13.0	690	13.0	11.8	465	11.0
Southern Railway	12.9	692	14.3	7.4	804	8.1
Tiger International	12.9	692	10.5	5.8	920	5.1
First Natl Supermkts	12.9	694	14.6	10.4	575	8.3
Monsanto	12.9	695	8.2	9.5	664	6.4
Eastern Gas & Fuel	12.9	696	14.6	7.8	780	8.8
Rapid-American	12.9	696	7.8	6.4	885	6.5
National Distillers	12.9	698	10.5	10.2	591	8.4
ARA Services	12.8	699	12.7	10.4	575	11.2
Libbey-Owens-Ford	12.8	700	5.0	11.0	524	4.9
Grumman	12.8	701	8.6	9.0	699	8.2
Saga	12.8	701	12.0	10.7	545	7.7
Carter Hawley Hale	12.8	703	12.5	8.2	757	7.6
Adolph Coors	12.8	703	10.8	12.1	444	10.0
Borden	12.8	705	12.1	9.7	633	8.8
Columbia Gas System	12.8	705	13.8	6.9	843	7.5
American Cyanamid	12.8	707	11.6	9.9	617	8.9
Cleveland Elec Illum	12.8	708	10.9	7.0	824	6.4
American Tel & Tel	12.7	709	12.8	7.2	814	7.1
Thriftimart	12.7	710	14.6	10.6	559	12.5
Amerace	12.7	711	11.4	8.0	769	7.4
Cincinnati G & E	12.7	712	11.3	6.8	857	6.4
Walt Disney	12.7	712	14.0	11.4	491	12.8
Liberty Natl Life	12.7	714	12.0	12.6	413	12.0
Illinois Power	12.7	715	13.3	6.6	871	6.8
Carson Pirie Scott	12.6%	716	9.9%	8.3%	751	6.8%
Florida Power	12.6	717	10.7	6.1	907	5.7
Florida Power & Lt	12.6	717	12.8	6.3	891	6.2
No States Power	12.6	717	10.9	6.3	897	5.6
Wisconsin Pwr & Lt	12.6	720	13.1	6.8	856	6.7
Certain-teed	12.6	721	0.2	9.6	649	2.4
Natl Detroit	12.6	721	11.8	11.1	513	10.5
Norfolk & Western Ry	12.6	721	15.1	7.4	802	9.5
Peavey	12.6	721	16.1	9.8	629	11.5
Thrifty Corp	12.6	721	14.8	9.2	690	9.8
Acme-Cleveland	12.6	726	16.7	9.6	650	12.2
Alexander & Baldwin	12.5	727	23.1	9.4	675	14.6
Rose's Stores	12.5	727	12.5	11.2	507	11.0
New England Electric	12.5	729	12.7	6.2	898	6.4
Southwest Forest Inds	12.5	729	12.4	8.2	754	8.0
Wickes Companies	12.5	729	4.7	8.1	763	4.6
Bank of New York	12.5	732	13.2	11.1	518	12.1
McLean Trucking	12.5	733	def	9.6	658	0.5
Central Soya	12.5	734	12.9	9.7	637	10.6
Dibrell Brothers	12.5	734	10.5	10.5	567	9.4
Jewel Companies	12.5	736	14.7	8.1	762	9.2
Beneficial Corp	12.4	737	8.3	6.1	912	4.1
Amstar	12.4	738	15.7	8.9	706	11.5
Kerr Glass Mfg	12.4	738	8.9	9.0	702	6.9
Interpace	12.4	740	8.7	8.4	745	7.0
Allis-Chalmers	12.4	741	8.2	9.5	665	6.7
N Y State Elec & Gas	12.4	742	13.1	6.9	843	7.1
St Regis Paper	12.3	743	13.8	9.0	699	10.0
Univar	12.3	744	16.8	8.3	748	11.1
Armco	12.3	745	14.4	8.8	720	10.3
Union Electric	12.3	746	14.3	6.4	882	6.7
F W Woolworth	12.3	746	12.6	8.2	760	8.3
Bankers Trust N Y	12.3	748	21.3	9.7	631	15.8
Pa Power & Light	12.3	748	10.6	6.8	857	6.0
Frederick & Herrud	12.3	750	13.8	9.0	704	9.8
Pettibone	12.2	751	8.8	8.9	708	6.6
Crown Zellerbach	12.2	752	8.7	8.8	715	6.8
Hoover	12.2	752	15.2	10.7	549	12.3
Celanese	12.1	754	11.2	7.9	773	7.5
Chemical New York	12.1	754	14.4	9.2	693	10.0
Gulf States Utils	12.1	756	14.8	6.0	915	7.1
Allegheny Ludlum Inds	12.1	757	21.1	7.0	835	10.0
UMC Industries	12.1	757	10.2	10.3	587	7.8
WICOR	12.1	757	9.1	**		**
Girard	12.1	760	14.6	9.2	691	11.2
Kellwood	12.1	760	6.6	8.8	715	5.5
Bunker Ramo	12.1	762	15.0	9.4	677	11.3
Zale	12.1	762	14.0	10.8	542	12.0
Wisconsin Elec Power	12.1	764	11.5	6.7	861	6.1
American Can	12.1	765	8.6	8.5	738	6.2
Central Ill Pub Svc	12.1	765	12.0	6.4	884	6.7
Philadelphia Natl	12.0	767	12.7	9.5	667	10.3
Fleetwood Enterprises	12.0	768	def	12.0	449	def
Stop & Shop	12.0	768	7.7	7.5	796	7.1
Southern Calif Edison	12.0	770	11.6	6.9	841	6.9
Diamond Intl	12.0	771	8.4	10.3	589	7.6
Middle South Utils	12.0	771	11.0	6.1	912	5.9
So Carolina E & G	12.0	773	11.5	6.1	905	5.7
Washington National	11.9	774	13.4	10.4	573	12.0
Sears Roebuck	11.9	775	7.5	9.9	614	6.5
Republic Airlines	11.9	776	def	7.7	788	def
J C Penney	11.9	777	8.2	10.0	605	6.6
Roper Corp	11.9	777	4.0	8.9	710	4.7
NL Industries	11.9	779	15.0	9.3	680	11.5
Sheller-Globe	11.9	779	def	7.7	786	0.1

*For some companies (as noted in individual Yardsticks tables) the average return is for less than five years.
**Not available; not ranked. def: deficit.

Who's where in profitability

Company	Return on equity: 5-year average*	Return on equity: rank	Return on equity: latest 12 months	Return on capital: 5-year average*	Return on capital: rank	Return on capital: latest 12 months
Pacific Pwr & Lt	11.9%	781	10.4%	6.6%	868	5.9%
Anderson, Clayton	11.8	782	10.6	10.9	526	10.6
Consumers Power	11.8	782	9.8	6.0	914	5.5
Carolina Pwr & Lt	11.8	784	9.4	6.2	901	5.3
ASARCO	11.8	785	23.8	9.7	644	19.0
Commercial Metals	11.8	786	22.1	9.5	667	17.5
Collins & Aikman	11.8	787	7.3	9.8	624	5.6
Pac Gamble Robinson	11.8	787	9.9	9.6	659	7.2
PennCorp Financial	11.8	787	10.5	10.4	578	8.7
Kaufman & Broad	11.7	790	16.2	8.8	718	10.6
Equitable of Iowa	11.7	791	12.5	10.2	595	9.2
Knudsen	11.7	792	17.0	7.5	795	10.1
Toledo Edison	11.7	792	10.5	6.6	866	6.4
First Natl Boston	11.7	794	15.4	8.3	749	11.0
Lane Bryant	11.7	794	11.6	10.0	610	10.0
LTV	11.7	796	20.4	5.2	949	7.6
Northwestern Steel	11.7	796	7.8	11.5	484	7.7
Sybron	11.7	796	10.3	9.3	684	8.4
West Point-Pepperell	11.7	796	14.6	9.6	656	11.1
NLT	11.6	800	11.2	11.3	498	10.8
Pacific Lighting	11.6	800	11.3	6.6	865	6.5
SCM	11.6	800	12.9	8.6	735	9.4
Curtiss-Wright	11.6	803	15.1	10.7	549	12.8
Outlet	11.6	803	0.6	9.3	682	3.7
Consolidated Edison	11.6	805	11.2	6.4	881	6.5
Mellon National	11.6	806	13.0	9.9	621	9.8
Pub Svc Elec & Gas	11.6	806	11.8	6.3	894	6.3
AmeriTrust	11.5	808	11.0	11.6	481	11.0
Ford Motor	11.5	809	def	9.6	659	def
Southeast Banking	11.5	810	16.4	8.7	729	11.5
Atlanta Gas Light	11.5	811	10.8	6.2	898	6.1
Owens-Illinois	11.5	811	12.6	7.9	771	8.6
Potomac Elec Power	11.5	813	12.7	6.6	866	6.9
American Elec Power	11.5	814	11.5	6.5	876	6.9
Holiday Inns	11.5	814	15.2	8.6	733	12.3
Johns-Manville	11.5	816	6.4	8.8	721	5.7
Baltimore Gas & Elec	11.4	817	11.4	6.6	871	6.4
Esmark	11.4	818	11.2	8.2	757	7.7
Olin	11.4	818	10.4	8.9	707	8.0
Scott Paper	11.4	818	12.6	8.4	742	9.2
Chase Manhattan	11.3	821	16.3	8.6	732	11.4
Morton-Norwich	11.3	821	14.4	8.8	718	10.6
Hammermill Paper	11.3	823	14.6	7.5	796	9.3
Pacific Gas & Elec	11.3	824	11.8	7.0	828	7.4
Bemis	11.3	825	7.4	8.0	766	3.5
Delmarva Power & Lt	11.3	825	11.3	6.5	879	6.3
BanCal Tri-State	11.3	827	11.3	8.6	733	9.2
Utah Power & Light	11.2	828	11.2	6.8	846	6.8
Northern Trust	11.2	829	11.0	9.7	639	9.7
Allegheny Power	11.2	830	10.8	6.1	910	5.9
Revere Copper	11.1	831	14.3	6.1	903	8.5
Del E Webb	11.1	831	8.5	10.5	564	7.1
Skyline	11.1	833	4.3	11.1	518	4.3
Magic Chef	11.1	834	1.8	10.2	593	3.7
San Diego Gas & Elec	11.1	834	6.2	7.0	824	5.5
Litton Industries	11.0	836	33.1	7.8	778	22.3
Brockway Glass	11.0	837	9.0	8.7	722	7.0
So New England Tel	10.9	838	9.7	6.3	890	5.8
Intl Tel & Tel	10.9	839	13.4	8.4	746	9.7
Oklahoma Gas & Elec	10.9	839	9.5	5.9	917	5.4
Genl Tire & Rubber	10.9	841	2.6	8.3	747	2.8
Allied Chemical	10.9	842	19.1	7.3	809	11.5
Gas Service	10.8	843	8.0	6.3	894	5.4
Nationwide	10.8	844	11.3	10.9	526	11.5
Niagara Mohawk Power	10.8	844	10.4	6.3	893	6.1
Valero Energy	10.8%	846	24.2%	6.2%	902	12.2%
Seagram	10.8	847	11.8	8.4	742	9.8
Bache Group	10.8	848	24.1	9.4	677	18.7
Ohio Edison	10.8	849	9.6	6.1	910	5.7
Amfac	10.8	850	15.5	7.1	819	9.6
Castle & Cooke	10.8	850	4.6	7.8	781	4.7
Brunswick	10.8	852	6.0	8.4	740	5.3
National-Standard	10.8	852	4.8	8.4	740	4.1
Rochester Gas & Elec	10.8	852	10.1	6.4	885	6.4
El Paso	10.7	855	9.7	5.3	947	5.1
Harris Bankcorp	10.7	856	10.2	9.4	670	9.3
Gray Drug Stores	10.7	857	3.5	8.7	724	4.2
Armstrong World Inds	10.6	858	8.7	8.6	731	7.4
National Fuel Gas	10.6	859	10.6	6.9	836	6.8
Eastern Air Lines	10.6	860	def	5.4	941	1.2
Louisville Gas & Elec	10.5	861	11.0	5.9	918	5.8
Bergen Brunswig	10.5	862	18.8	8.7	724	14.5
First Chicago	10.5	862	5.8	8.7	728	5.2
No Indiana Pub Svc	10.5	862	8.1	5.5	931	4.8
Zayre	10.5	862	10.8	6.8	851	7.0
Southern Company	10.5	866	13.2	5.3	945	5.8
United States Filter	10.4	867	12.5	8.8	715	7.3
Santa Fe Industries	10.4	868	13.3	7.2	812	8.9
Dayton Power & Light	10.4	869	10.4	6.4	887	6.0
Cluett, Peabody	10.3	870	9.0	8.7	723	7.2
Central Illinois Lt	10.3	871	10.5	5.5	934	5.4
Gulf Resources & Chem	10.3	871	12.6	7.3	806	7.1
Sperry & Hutchinson	10.3	873	8.1	9.4	672	7.4
Kansas City Pwr & Lt	10.3	874	13.2	5.4	937	6.1
Strawbridge & Clothier	10.3	874	9.2	8.1	765	6.9
Polaroid	10.2	876	8.9	10.2	594	8.9
First Wisconsin	10.2	877	12.9	8.2	761	10.4
Montana Power	10.2	877	10.5	6.3	894	6.4
A O Smith	10.2	877	def	7.9	770	def
Robertshaw Controls	10.2	880	8.6	8.2	759	6.7
GATX	10.1	881	13.3	4.5	961	5.5
Commonwealth Edison	9.9	882	8.7	5.6	928	5.2
Northeast Utilities	9.9	883	8.9	5.7	922	5.3
Phila Electric	9.9	884	10.3	5.6	925	5.8
Williams Companies	9.9	885	18.7	6.4	887	10.3
Amer Maize-Products	9.8	886	11.2	7.8	778	8.3
Rohm & Haas	9.8	886	14.9	7.8	781	11.7
IC Industries	9.8	888	10.2	6.1	908	5.7
Boston Edison	9.7	889	11.8	5.3	943	5.6
Dan River	9.7	890	11.7	7.0	833	8.4
Dillard Dept Stores	9.7	890	8.5	6.4	887	5.7
Va Electric & Power	9.7	890	9.0	5.9	916	5.7
Duquesne Light	9.6	893	10.6	5.6	926	5.9
Public Service Colo	9.6	894	10.4	5.6	930	6.1
Detroit Edison	9.6	895	8.9	5.4	936	5.3
CFS Continental	9.4	896	11.1	7.2	816	8.1
Kaiser Steel	9.4	897	23.8	6.9	849	14.7
Hart Schaffner & Marx	9.4	898	10.4	[illegible]	755	9.2
Graniteville	9.3	899	11.7	[illegible]	775	9.2
Di Giorgio	9.3	900	8.1	6.8	853	5.8
Allied Van Lines	9.2	901	11.6	7.3	810	8.8
American Bakeries	9.2	901	3.3	7.0	826	4.2
Dillingham	9.2	903	14.6	6.1	908	9.2
BancOhio	9.0	904	2.2	6.4	742	2.3
Inland Steel	9.0	905	1.7	6.8	857	2.2
Cannon Mills	8.9	906	9.2	8.8	712	9.1
Inco	8.8	907	13.7	5.7	923	8.5
Control Data	8.8	908	11.3	6.7	860	8.5
Associated Dry Goods	8.8	909	9.5	7.4	801	7.9
Kentucky Utilities	8.8	910	6.7	5.3	943	4.9

*For some companies (as noted in individual Yardsticks tables) the average return is for less than five years.
def: deficit.

Who's where in profitability

Company	Return on equity			Return on capital			Company	Return on equity			Return on capital		
	5-year average*	rank	latest 12 months	5-year average*	rank	latest 12 months		5-year average*	rank	latest 12 months	5-year average*	rank	latest 12 months
J P Stevens	8.8%	910	8.3%	7.0%	826	6.7%	Western Union	4.5%	977	4.9%	4.7%	965	5.0%
Goodyear	8.7	912	7.9	6.9	838	6.5	Kane-Miller	4.4	978	5.1	4.8	961	5.4
American Airlines	8.7	913	def	5.3	942	def	Sherwin-Williams	4.3	979	10.0	3.7	982	5.9
Harnischfeger	8.7	914	2.8	6.5	875	3.7	Shopwell	4.1	980	6.4	3.8	981	5.1
Burlington Inds	8.6	915	7.7	7.0	833	6.4	Talley Industries	4.1	981	def	4.9	958	def
Washington Gas Light	8.6	916	7.5	5.4	940	5.0	Questor	3.9	982	def	4.0	978	1.7
Olympia Brewing	8.5	917	4.3	7.4	803	4.1	United Brands	3.6	983	6.9	3.7	984	5.6
Intl Harvester	8.5	918	def	6.6	871	def	Fidelcor	3.6	984	6.0	3.3	989	4.5
General Public Utils	8.4	919	2.4	5.4	939	3.4	Wheeling-Pitts Steel	3.4	985	4.9	3.4	987	4.4
Ceco	8.4	920	15.6	7.1	819	12.5	Kennecott	3.4	986	5.7	3.7	983	5.8
Westmoreland Coal	8.3	921	def	8.5	736	0.4	Bell & Howell	3.3	987	14.0	3.1	992	11.0
Perini	8.1	922	8.1	6.4	880	6.2	Bethlehem Steel	3.2	988	4.0	3.3	988	4.0
UAL	8.1	923	def	4.1	977	0.5	GAF	3.0	989	5.8	3.2	990	4.5
Varian Associates	8.1	924	12.2	7.1	823	10.5	Savannah Foods	2.7	990	def	2.9	995	def
St Louis-San Fran Ry	8.0	925	10.3	5.1	952	6.3	AM International	2.5	991	1.0	3.1	993	2.0
Northwest Airlines	8.0	926	0.4	5.5	933	0.3	Pueblo International	2.2	992	11.8	2.3	1001	8.1
Dynalectron	8.0	927	13.4	6.8	853	10.7	Munford	2.1	993	3.0	3.6	985	4.1
Outboard Marine	7.9	928	0.8	6.8	851	1.9	Envirotech	1.8	994	def	2.6	997	def
King Kullen Grocery	7.9	929	3.3	7.5	796	3.3	M Lowenstein	1.6	995	0.5	2.8	996	2.5
Lukens Steel	7.9	929	3.0	6.7	864	2.3	National Tea	1.2	996	11.2	1.1	1009	7.2
Portland Genl Elec	7.8	931	7.1	5.6	929	5.0	Allied Products	1.2	997	def	2.6	997	0.3
Singer	7.7	932	10.6	5.7	924	6.3	Rohr Industries	1.0	998	1.0	2.4	1000	4.8
U S Industries	7.7	932	4.9	6.9	839	4.9	Jos Schlitz Brewing	0.7	999	def	1.4	1006	def
Interlake	7.7	934	2.4	7.0	830	2.7	Firestone	0.6	1000	def	1.8	1004	def
Springs Mills	7.7	935	9.3	6.6	874	7.6	United States Steel	0.0	1001	def	1.3	1007	def
Zenith Radio	7.7	936	10.1	6.7	862	7.7	Vornado	def	1002	def	1.9	1003	1.4
Stokely-Van Camp	7.6	937	6.1	6.1	903	5.3	Scot Lad Foods	def	1003	12.5	0.7	1011	7.6
Zapata	7.6	938	13.1	5.0	954	7.5	General Refractories	def	1004	1.5	1.9	1002	3.3
Ramada Inns	7.5	939	8.5	4.8	960	5.1	Arden Group	def	1005	14.9	3.2	991	8.0
Trans World	7.5	940	def	4.5	969	1.5	Fed-Mart	def	1006	def	4.5	967	0.2
Reichhold Chemicals	7.4	941	5.3	6.5	877	4.8	First Pennsylvania	def	1007	def	1.7	1005	def
Chic Pneumatic Tool	7.4	942	5.6	7.5	793	5.7	Keystone Consolidated	def	1008	def	0.8	1010	def
Cal-Maine Foods	7.3	943	def	5.0	953	def	White Motor	def	1009	def	0.7	1012	def
Playboy Enterprises	7.3	944	12.8	6.7	863	10.9	Macmillan	def	1010	def	def	1016	def
Edward Hines Lumber	7.2	945	def	7.0	830	def	McLouth Steel	def	1011	def	def	1014	def
Burlington Northern	7.2	946	10.7	5.2	951	7.0	Braniff Intl	def	1012	def	3.4	986	def
National Steel	7.2	947	6.2	5.5	931	4.9	Manhattan Industries	def	1013	def	3.1	994	def
Foodarama Supermkts	7.2	948	def	6.9	839	def	Great Atl & Pac Tea	def	1014	def	def	1015	def
Citizens & Southern NB	7.1	949	14.9	6.8	846	13.8	American Motors	def	1015	def	def	1021	def
Marshall Field	7.1	949	5.5	6.1	905	4.5	Commonwealth Oil Rfg	def	1016	def	def	1018	def
Continental Airlines	7.1	951	def	4.4	971	def	Jonathan Logan	def	1017	def	def	1025	def
Southern Pacific	6.9	952	7.1	4.9	958	4.8	Culbro	def	1018	def	1.3	1008	def
Cyclops	6.8	953	def	5.3	946	1.3	Uniroyal	def	1019	def	def	1019	def
Pabst Brewing	6.8	953	4.1	6.2	900	3.7	Monfort of Colorado	def	1020	def	def	1026	def
B F Goodrich	6.7	955	5.7	5.9	918	5.2	Goldblatt Brothers	def	1021	def	def	1024	def
Kuhn's-Big K Stores	6.5	956	def	7.8	784	0.4	Genesco	def	1022	2.0	def	1022	4.2
G C Murphy	6.5	957	8.0	5.4	937	6.2	Massey-Ferguson	def	1023	def	def	1017	def
Avondale Mills	6.5	958	8.1	6.3	891	7.8	Penn-Dixie Inds	def	1024	def	def	1027	def
Marine Midland Banks	6.4	959	9.6	5.3	947	7.6	Ward Foods	def	1025	def	def	1023	def
Pan Am World Airways	6.4	959	def	3.9	979	def	Seatrain Lines	def	1026	NE	2.4	999	def
Phelps Dodge	6.1	961	9.8	4.9	956	6.7	United Merch & Mfrs	def	1027	def	def	1028	def
Fisher Foods	6.0	962	3.8	4.9	957	4.1	Sambo's Restaurants	def	1028	def	4.4	970	def
Alexander's	5.9	963	1.6	4.2	976	2.6	National Kinney	def	1029	def	0.1	1013	2.1
Coca-Cola Bottling NY	5.8	964	def	5.6	927	def	Chrysler	def	1030	def	def	1031	def
General Host	5.6	965	23.2	5.2	949	11.6	City Stores	def	1031	NE	def	1032	def
Phillips-Van Heusen	5.6	966	6.1	4.7	964	5.3	Food Fair	def	1032	NE	def	1020	39.6
Saxon Industries	5.3	967	6.3	4.3	972	4.8	Rath Packing	def	1033	NE	def	1029	37.6
Republic Steel	5.3	968	1.4	4.3	973	1.5	Allied Supermarkets	def	1034	NE	def	1030	8.8
Mohasco	5.3	969	1.8	4.7	963	3.1	Coastal Corp	**		21.0	**		8.7
Pamida	5.3	970	5.5	5.4	935	5.5	Cross & Trecker	**		25.9	**		24.6
Warnaco	5.2	971	16.9	5.0	955	11.9	CSX	**		**	**		**
Borman's	5.0	972	def	4.5	966	1.6	Dart & Kraft	**		**	**		**
Cook United	5.0	973	5.4	4.5	968	5.2	Federal Express	**		29.4	**		18.4
Gino's	4.9	974	def	5.7	921	1.9	IU International	**		44.7	**		13.6
Armstrong Rubber	4.6	975	def	4.2	974	def	Penn Central	**		11.1	**		8.0
Akzona	4.5	976	3.0	3.8	980	3.1							

*For some companies (as noted in individual Yardsticks tables) the average return is for less than five years.

**Not available; not ranked. def: deficit. NE: negative equity.

How they ran, long and short term, in sales and earnings-per-share growth—and, most important, who's staying ahead of inflation.

Who's where in growth

ONE OF THE MOST IMPORTANT FIGURES in the table that follows appears only in the footnotes at the bottom of each page: the 7.1% average annual inflation rate for the U.S. over the last five years, as measured by the government's price deflator for the gross national product.

That unpleasant statistic must be kept in mind in studying the "growth" record of any company. It means that if a company's average annual earnings gain fails to match that 7.1% benchmark the company is not keeping pace with inflation, and the hard truth is that 274 of the 1,012 companies ranked below failed to do so. Of the 738 that did keep up, 334 showed greater sales growth than earnings growth. That does not necessarily mean there is something wrong, but it can suggest problems like dilution or perhaps weak earnings from acquisitions or market-share gains.

Too, what looks like a growth company may not be one. We use an average of earnings during the period 1971-75 as a base. So if a company had deficits in one or more of those years, the road back to "normal" profitability would initially look like unusually rapid earnings growth. Similarly, some companies with good recent profitability may show up near the bottom of the growth list because of the statistical difficulty of representing a deficit-to-profit history.

For this reason, it is useful to compare the short-term growth (1980 *vs.* the 1977-79 average base period) with the five-year average. Take a look at RLC and Boise Cascade, for example—both near the top of the earnings-growth list over five years, but both with *negative* growth over the short term. On the other side of the coin, look at turnaround companies like Gillette, St. Joe Minerals or Texaco: Short-term earnings growth last year was from 7 to 23 times their mediocre five-year base.

Comparing sales growth to earnings growth can also be useful. Booming Boeing, for example, ranks 572nd in sales growth but 26th in earnings growth; its earnings have grown more than 3 times as fast as its sales over the last five years. Or, as proof that maximizing sales doesn't necessarily maximize profits, even in a classic growth industry, look at Amdahl, the California computer company: 43rd among all 1,041 companies in sales growth with a spectacular annual average of 33.4%, but with negative earnings growth.

Who's where in growth

	Earnings per share			Sales				Earnings per share			Sales		
Company	5-year average*	rank	80† vs 1977-79	5-year average*	rank	80† vs 1977-79	Company	5-year average*	rank	80† vs 1977-79	5-year average*	rank	80† vs 1977-79
Cook United	213.5%	1	16.4%	–4.9%	1032	1.9%	Lear Siegler	34.0%	66	20.0%	13.2%	606	27.8%
RLC	210.4	2	–4.0	10.4	792	33.1	Dorchester Gas	33.9	67	104.8	66.5	1	204.1
U S Air	136.8	3	49.1	15.8	404	52.7	Cross & Trecker	33.7	68	85.4	17.5	293	54.3
Boise Cascade	134.1	4	–2.7	12.1	681	13.9	Olin	33.3	69	8.7	9.3	859	14.0
Federal Express	112.2	5	159.0	59.0	4	155.9	Fuqua Industries	32.8	70	58.4	23.1	122	23.8
American Standard	101.5	6	45.9	6.6	965	25.9	NN	32.7	71	24.9	13.6	574	21.6
Savin	101.3	7	0.1	36.3	34	72.9	Texas Oil & Gas	32.4	72	73.7	44.9	10	56.6
Resorts Intl	93.9	8	9.8	39.9	19	66.5	Nucor	32.2	73	83.9	24.3	102	54.8
ConAgra	90.6	9	22.0	7.7	926	69.2	Northrop	32.2	74	10.1	16.1	382	–5.8
Subaru of America	87.0	10	109.0	46.9	6	68.2	Kaufman & Broad	32.1	75	74.5	8.8	875	12.6
Bunker Ramo	80.5	11	34.5	7.0	949	18.8	Allis-Chalmers	32.1	76	–29.4	9.1	867	14.7
Avco	73.6	12	–17.7	7.5	934	21.2	Pitney Bowes	32.0	77	25.4	16.1	380	54.8
Tosco	73.3	13	116.7	46.1	8	62.8	Harris Corp	31.9	78	32.8	15.3	438	64.8
Kay	68.0	14	63.8	25.2	91	60.7	James River Corp Va	31.7	79	38.4	52.6	5	89.1
SCOA Industries	64.3	15	36.1	15.1	453	14.0	Natomas	31.4	80	60.5	40.1	18	90.8
Whittaker	61.5	16	77.2	7.7	927	44.7	Parsons	31.2	81	22.0	11.5	720	–1.7
Shearson Loeb Rhoades	59.3	17	285.4	36.0	39	215.2	Fluor	31.1	82	55.3	32.6	48	59.2
Bergen Brunswig	59.0	18	127.0	12.8	639	43.1	Washington Post	31.1	82	–12.3	15.5	421	25.3
Arcata	54.4	19	24.0	17.1	332	68.3	Bruno's	30.3	84	85.2	23.5	111	51.3
Best Products	53.6	20	17.0	38.2	26	61.5	G Heileman Brewing	30.3	85	67.5	26.2	80	82.6
Litton Industries	52.8	21	530.6	6.3	972	13.9	Tyson Foods	29.9	86	–83.7	17.2	314	35.6
Teledyne	51.8	22	37.6	11.0	747	15.8	American Financial	29.9	87	–28.9	19.6	200	23.8
Tandy	51.7	23	75.5	25.6	86	32.9	Berkshire Hathaway	29.8	88	26.9	30.6	59	11.4
Sun Chemical	48.9	24	44.7	13.7	563	23.9	Parker Drilling	29.8	89	30.3	32.5	49	63.7
Storage Technology	48.6	25	52.3	44.0	11	76.0	Dean Foods	29.6	90	31.7	13.6	567	32.4
Boeing	46.3	26	71.6	13.6	572	54.1	Hilton Hotels	29.6	90	50.4	5.0	998	22.5
Houston Oil & Minerals	44.1	27	7.6	65.9	2	13.1	Dayton-Hudson	29.4	92	–14.9	15.1	453	32.7
Evans Products	43.2	28	–9.3	4.5	1003	22.3	Big V Supermarkets	29.1	93	22.0	23.0	124	33.2
Meredith	43.0	29	58.3	13.2	605	28.7	Entex	29.0	94	–6.1	36.7	31	35.9
Fairchild Industries	42.6	30	93.5	18.1	264	47.6	U S Fidelity & Gty	28.8	95	22.1	15.5	419	18.3
Pneumo	42.2	31	30.3	14.7	482	41.2	Cullum Companies	28.7	96	64.5	18.8	233	37.0
Charter	41.6	32	13.5	30.9	58	77.7	H K Porter	28.6	97	2.2	14.8	480	21.3
Service Merchandise	41.4	33	–11.7	42.8	12	51.2	Parker Pen	28.4	98	38.1	37.1	30	29.7
Cincinnati Milacron	41.3	34	110.6	11.9	696	24.8	Morse Shoe	28.3	99	6.8	14.6	493	26.4
Crown Central Petroleum	41.1	35	–5.9	23.0	126	66.3	Amer Broadcasting	28.3	100	11.2	14.5	497	23.3
NCR	41.1	36	1.6	8.8	876	19.0	MGM Grand Hotels	28.2	101	31.8	23.9	106	37.3
United Energy Resources	40.0	37	51.5	32.4	50	75.2	Baker International	28.2	102	57.1	35.4	40	66.0
Shaklee	40.0	38	–39.9	31.5	54	46.7	Alcan Aluminium	28.1	103	74.8	14.6	492	35.5
Standard Oil Ohio	39.8	39	173.4	27.3	75	87.4	Centex	27.9	104	111.6	21.8	146	26.7
Intel	39.5	40	80.7	45.5	9	85.2	Hyster	27.6	105	–8.2	13.7	557	13.3
Dan River	39.4	41	34.0	6.8	955	11.6	Blue Bell	27.6	106	6.0	18.1	266	51.1
Wang Laboratories	39.0	42	181.8	38.9	21	177.7	Loews	27.6	107	43.6	25.4	88	25.1
Ryder System	38.9	43	–0.1	20.0	190	40.2	Waste Management	27.6	108	58.0	23.8	108	67.3
Business Men's Assur	38.8	44	18.8	6.7	961	8.0	Geosource	27.5	109	74.4	24.4	100	62.0
Levi Strauss	38.5	45	43.9	21.6	154	49.4	Houston Natural Gas	27.5	110	48.2	31.2	56	44.8
Mission Insurance	38.3	46	55.0	31.4	55	46.1	Earth Resources	27.5	111	133.3	29.6	61	103.9
Twentieth Century-Fox	38.3	46	–1.4	18.7	240	39.2	Caesars World	27.5	112	311.7	23.2	119	176.5
Clark Oil & Refining	37.9	48	142.1	20.1	186	56.6	Engelhard Minerals	27.4	113	158.7	31.1	57	119.4
Old Republic Intl	37.5	49	–2.0	23.2	118	50.9	Cooper Industries	27.4	114	35.6	26.2	81	86.2
General Instrument	36.8	50	55.4	10.9	758	36.9	Ashland Oil	27.3	115	–17.7	17.1	324	45.8
Ruddick	36.7	51	24.2	12.4	663	22.6	Kemper	27.3	116	17.8	21.1	160	38.1
Scovill	36.2	52	–17.7	7.5	935	17.5	Federal-Mogul	27.2	117	2.0	12.0	690	21.3
Cabot	36.0	53	188.8	20.9	163	74.7	Cone Mills	27.1	118	32.4	11.2	738	11.7
Food Town Stores	35.9	54	47.3	33.4	44	61.1	Foster Wheeler	27.0	119	32.3	15.1	450	7.9
Metromedia	35.8	55	63.5	13.7	558	22.2	Natl Semiconductor	26.9	120	154.7	36.1	38	103.2
Schlumberger	35.3	56	67.9	23.6	110	67.2	IU International	26.8	121	220.9	10.0	811	–2.2
Gelco	34.9	57	90.8	60.0	3	100.4	Sundstrand	26.8	122	42.2	14.3	520	20.8
Hardee's Food Systems	34.8	58	42.0	17.1	321	49.7	Tektronix	26.7	123	37.3	23.5	113	62.4
Holly Corp	34.8	59	36.4	35.4	41	94.0	A O Smith	26.7	124	P–D	7.4	936	–10.8
Warner Communications	34.7	60	74.6	19.3	214	37.0	Curtiss-Wright	26.7	125	67.0	4.7	1002	13.7
Wal-Mart Stores	34.7	61	54.9	40.7	17	44.1	EG&G	26.6	126	98.3	25.1	93	33.1
Data General	34.5	62	33.3	46.5	7	71.8	Kelly Services	26.5	127	24.9	23.5	112	42.2
Humana	34.4	63	138.0	39.8	20	77.7	Occidental Petroleum	26.4	128	194.2	15.0	470	67.2
Mitchell Enrgy & Dev	34.4	63	103.7	36.4	33	76.9	Natl Convenience Strs	26.4	129	66.2	18.9	230	69.7
Digital Equipment	34.1	65	63.4	37.2	29	76.9	Pioneer	26.4	130	81.4	28.4	65	47.2

*For some companies (as noted in individual Yardsticks tables) the growth rate is for less than five years. For comparison, the five-year average annual increase in prices was 7.1%, as measured by the Department of Commerce's *Implicit Price Deflator for Gross National Product*, which measures inflation in all sectors of the economy. †Latest 12-months. P-D: profit to deficit.

Who's where in growth

	Earnings per share			Sales		
Company	5-year average*	rank	80† vs 1977-79	5-year average*	rank	80† vs 1977-79
Continental Airlines	26.3%	131	P–D	13.8%	551	29.0%
E-Systems	26.3	132	–28.7%	14.3	516	19.1
Pacific Resources	26.2	133	111.8	33.0	46	63.1
RCA	26.1	134	–2.4	9.6	839	18.9
Alcoa	26.0	135	47.1	14.3	517	24.5
Safeco	25.9	136	7.0	13.5	575	19.6
U S Home	25.8	137	56.0	19.0	226	47.7
Cameron Iron Works	25.7	138	81.6	19.7	196	57.2
General Re	25.6	139	39.6	17.4	297	21.0
Super Valu Stores	25.6	140	33.7	16.0	393	24.4
Varian Associates	25.6	140	89.3	12.3	668	49.4
American Stores	25.6	142	39.0	42.1	13	225.6
Burlington Northern	25.5	143	65.0	14.9	471	43.5
Arvin Industries	25.5	144	–63.5	12.9	632	–9.8
Marley	25.5	145	1.2	20.9	165	82.7
Halliburton	25.4	146	21.6	22.0	143	24.0
Fisher Scientific	25.4	147	44.0	15.3	442	32.0
Raymond Intl	25.3	148	–74.3	22.1	140	17.0
Frontier Airlines	25.3	149	8.6	19.1	224	48.1
Raychem	25.2	150	69.0	24.4	99	93.5
PACCAR	25.0	151	3.5	17.1	328	10.1
Howell	25.0	152	58.6	32.9	47	34.9
Atlantic Richfield	24.9	153	76.6	21.6	152	60.3
Hanover Insurance	24.8	154	38.9	15.7	413	24.2
SmithKline	24.7	155	64.7	19.1	223	54.3
Bausch & Lomb	24.7	156	59.7	13.3	600	27.9
Bally Manufacturing	24.7	157	56.3	24.8	95	93.7
Wallace-Murray	24.7	157	10.3	12.5	657	11.2
Caldor	24.6	159	43.8	22.7	130	31.6
Natl Medical Entrprs	24.6	160	104.8	38.7	22	223.1
Consolidated Papers	24.5	161	23.5	15.6	416	26.6
Superior Oil	24.5	162	138.9	25.2	92	72.7
United Technologies	24.5	163	19.8	22.8	127	69.0
Hughes Tool	24.4	164	57.1	31.5	53	72.2
E F Hutton Group	24.3	165	151.1	27.8	71	92.8
Alexander & Alexander	24.3	166	24.5	27.1	77	37.4
Big Three Industries	24.3	167	41.4	26.7	79	43.8
Supermarkets General	24.3	168	19.4	9.6	840	18.3
Smith International	24.2	169	36.4	23.7	109	52.6
Raytheon	24.2	170	35.6	14.6	489	42.9
Johnson Controls	24.2	171	–28.4	21.7	150	44.9
American Intl Group	24.1	172	40.7	21.6	151	36.6
Capital Cities Commun	24.1	173	38.3	21.8	147	25.7
McDonald's	24.1	173	31.7	23.3	115	28.9
Trinity Industries	24.1	175	128.5	18.8	235	93.4
Beckman Instruments	24.1	176	33.9	16.4	364	62.7
Santa Fe Intl	24.0	177	20.3	22.5	135	80.3
Keystone Foods	23.9	178	22.0	29.9	60	30.8
Rite Aid	23.7	179	25.9	19.7	199	29.7
Aetna Life & Casualty	23.7	180	3.0	15.2	449	33.3
Abbott Laboratories	23.7	181	34.9	17.4	303	31.3
Transamerica	23.7	182	18.4	11.6	714	20.6
Mead	23.6	183	4.5	11.9	698	18.3
Amsted Industries	23.6	184	43.3	12.8	637	30.6
Belco Petroleum	23.6	185	35.1	21.9	145	66.4
Hospital Corp of Am	23.5	186	51.2	27.6	73	57.5
Reynolds Metals	23.4	187	48.9	13.9	544	26.3
Wyman-Gordon	23.4	188	23.5	16.7	353	41.6
Foxboro	23.4	189	–16.6	15.2	447	20.7
Pioneer Hi-Bred Intl	23.3	190	69.6	20.8	167	36.7
Revco D S	23.3	191	36.3	22.5	133	43.0
Denny's	23.2	192	–23.5	24.3	102	41.2
Kaiser Alum & Chem	23.2	192	61.1	14.2	528	25.4
United States Filter	23.2	194	46.6	27.0	78	55.2
Cluett, Peabody	23.2	195	–3.2	3.7	1012	17.2
SCM	23.1%	196	35.0%	8.4%	900	22.5%
Dexter	22.8	197	17.7	29.1	62	37.9
Golden West Finl	22.8	198	15.0	37.7	27	55.8
Gates Learjet	22.7	199	41.2	25.4	89	52.7
Hewlett-Packard	22.7	200	63.3	23.3	116	70.6
Niagara Frontier Services	22.6	201	11.7	24.7	97	27.9
Phillips Petroleum	22.6	202	54.9	17.9	270	65.2
Kimberly-Clark	22.6	203	–11.7	10.4	793	27.5
Crum & Forster	22.6	204	23.8	14.6	490	21.5
Archer Daniels Midland	22.4	205	103.4	13.8	555	39.7
AMP	22.4	206	34.2	17.3	310	39.4
Fort Howard Paper	22.3	207	27.4	17.4	302	26.6
Edison Bros Stores	22.2	208	–0.2	13.0	623	14.1
Melville	22.2	209	20.5	19.8	192	27.6
Wheelabrator-Frye	22.1	210	25.6	22.4	138	47.0
Air Prods & Chems	22.1	211	42.8	18.7	247	32.5
Amer Medical Intl	21.9	212	55.4	22.1	142	47.2
Baxter Travenol Labs	21.9	213	26.3	21.5	156	30.6
American General	21.9	214	4.8	11.9	697	25.5
Auto Data Processing	21.9	215	36.9	27.6	72	56.9
Milton Bradley	21.7	216	50.2	14.7	484	53.5
MCA	21.6	217	17.1	16.3	372	23.8
Pennzoil	21.6	218	86.8	19.3	214	50.1
Cummins Engine	21.5	219	P–D	17.2	317	11.2
Moore McCormack Res	21.4	220	44.0	20.0	188	66.2
Ohio Casualty	21.4	221	4.6	18.2	263	18.2
Chubb	21.3	222	24.8	11.2	741	17.1
St Paul Companies	21.3	222	–1.4	15.1	450	24.4
Masco	21.3	224	26.0	24.0	105	29.0
Dover	21.3	225	50.0	16.0	387	50.3
Albertson's	21.1	226	15.2	20.4	181	27.4
Union Pacific	21.0	227	37.4	19.5	206	47.8
Snap-On Tools	21.0	228	18.2	19.2	222	27.1
Owens-Corning Fbrgls	20.9	229	–47.9	20.0	189	22.8
Interpublic Group	20.8	230	8.3	16.1	384	34.2
Chic & North Western	20.8	231	212.1	10.8	765	35.4
Host International	20.8	231	17.0	12.6	650	16.2
Zurn Industries	20.8	233	21.2	6.9	951	13.8
Peoples Drug Stores	20.7	234	43.4	12.1	681	39.1
Combustion Engnrng	20.7	235	121.9	12.4	663	24.8
Morrison-Knudsen	20.7	236	35.9	14.3	517	68.4
Barnes Group	20.7	237	30.5	15.4	429	19.9
DeSoto	20.5	238	14.9	5.7	985	4.0
Marriott	20.5	238	69.2	18.7	242	29.5
Fieldcrest Mills	20.3	240	–17.9	10.6	781	11.8
Philip Morris	20.2	241	43.1	20.8	169	42.4
Modern Merchandising	20.2	242	–57.0	31.6	52	26.0
Consol Freightways	20.1	243	–25.9	16.0	390	18.4
Carpenter Technology	20.1	244	17.7	13.2	604	41.7
Getty Oil	20.1	245	103.6	17.7	285	119.8
Iowa Beef Processors	20.0	246	34.2	17.4	297	46.2
Petrolane	19.9	247	43.2	21.0	162	47.4
Baldwin-United	19.9	248	26.1	26.1	83	114.2
MAPCO	19.8	249	31.0	28.5	63	41.4
Dresser Industries	19.8	250	20.6	19.7	195	27.6
Farm House Foods	19.8	250	22.6	28.2	67	147.1
Northwest Industries	19.8	250	–1.4	18.8	236	20.7
Conoco	19.8	253	77.3	16.7	351	62.5
Midland-Ross	19.7	254	32.1	13.5	578	48.5
American Family	19.7	255	–27.2	38.2	25	38.9
Signal Companies	19.6	256	6.8	17.1	328	17.0
Petrie Stores	19.6	257	1.5	15.2	445	8.5
Wickes Companies	19.6	258	–64.1	12.4	660	10.1
Times Mirror	19.5	259	5.2	15.7	415	29.9
Farmers Group	19.4	260	25.5	14.3	522	24.0

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Who's where in growth

	Earnings per share			Sales		
Company	5-year average*	rank	80† vs 1977-79	5-year average*	rank	80† vs 1977-79
Imperial Corp of Am	19.4%	**260**	–24.9%	20.6%	**171**	39.2%
Bucyrus-Erie	19.4	**262**	–7.9	17.9	**270**	–2.5
Piedmont Aviation	19.4	**263**	1.5	17.6	**291**	60.2
Acme-Cleveland	19.3	**264**	43.2	15.4	**424**	42.6
R H Macy	19.3	**264**	55.4	10.8	**771**	31.5
McGraw-Hill	19.2	**266**	30.1	10.5	**789**	27.5
Dillon Companies	19.1	**267**	–3.0	20.4	**180**	44.1
Dorsey	19.1	**268**	13.2	20.5	**177**	36.9
Travelers	19.1	**269**	12.5	11.2	**740**	16.6
Vulcan Materials	19.1	**269**	32.1	13.6	**567**	18.9
Seaboard Allied Milling	19.0	**271**	–19.5	8.7	**878**	33.3
General Dynamics	19.0	**272**	150.2	13.5	**582**	33.8
Ex-Cell-O	18.9	**273**	8.9	15.6	**416**	38.2
Heck's	18.9	**274**	38.4	22.4	**137**	39.0
Norfolk & Western Ry	18.9	**275**	52.5	5.9	**980**	21.3
Crouse-Hinds	18.8	**276**	33.0	20.5	**176**	22.6
Alco Standard	18.8	**277**	15.0	15.1	**459**	43.3
North American Coal	18.8	**278**	30.8	16.9	**346**	40.1
Perini	18.8	**278**	35.8	16.0	**387**	76.4
Blount	18.8	**280**	28.3	9.1	**868**	30.9
Kerr Glass Mfg	18.7	**281**	–7.1	11.7	**711**	28.8
Mallinckrodt	18.7	**282**	8.6	16.7	**351**	19.7
Missouri Pacific	18.7	**282**	14.1	14.2	**526**	25.3
Federal Co	18.6	**284**	–44.4	15.9	**398**	38.5
Pay Less Drug NW	18.4	**285**	27.5	19.4	**210**	64.6
W W Grainger	18.4	**286**	10.2	19.2	**221**	26.3
Idle Wild Foods	18.4	**287**	2.9	10.1	**809**	32.9
Roper Corp	18.3	**288**	–60.9	7.3	**942**	0.0
Time Inc	18.3	**289**	3.0	20.9	**163**	53.0
General Signal	18.1	**290**	31.1	22.0	**144**	35.7
Kroger	18.0	**291**	18.4	12.6	**649**	25.2
Thiokol	18.0	**292**	16.1	12.6	**648**	18.7
Perkin-Elmer	18.0	**293**	78.3	21.7	**149**	82.2
Texas Instruments	18.0	**293**	42.2	17.6	**288**	49.4
Jack Eckerd	18.0	**295**	31.1	24.4	**100**	35.1
Revlon	18.0	**295**	23.4	22.1	**141**	43.5
Riegel Textile	18.0	**297**	32.0	9.8	**823**	28.9
American Natl Ins	17.9	**298**	10.2	10.6	**783**	13.2
Knight-Ridder News	17.9	**299**	18.1	15.9	**397**	22.1
Oklahoma Natural Gas	17.9	**300**	6.1	32.3	**51**	37.0
Handy & Harman	17.8	**301**	115.7	12.0	**689**	54.4
PennCorp Financial	17.8	**302**	3.0	17.4	**300**	44.5
American Express	17.7	**303**	21.3	16.2	**376**	30.1
Gannett	17.7	**304**	28.6	21.0	**161**	52.3
United States Gypsum	17.6	**305**	–1.7	12.4	**662**	8.7
Universal Leaf	17.6	**306**	36.4	8.5	**889**	28.0
Gulf & Western Inds	17.6	**307**	48.6	16.9	**345**	20.9
K mart	17.5	**308**	–17.9	18.8	**238**	20.7
City Investing	17.5	**309**	2.8	15.6	**418**	33.7
Marsh Supermarkets	17.4	**310**	13.3	11.4	**728**	20.0
Empire	17.3	**311**	36.1	28.3	**65**	121.0
Provident Life & Acc	17.3	**312**	15.6	7.5	**932**	7.7
Shell Oil	17.2	**313**	58.9	17.4	**303**	60.0
Sun Company	17.1	**314**	75.5	24.1	**104**	50.6
Sonoco Products	17.1	**315**	31.6	14.2	**529**	37.3
Hoover Universal	17.1	**316**	–38.0	15.3	**434**	13.2
Circle K	17.1	**317**	95.5	19.5	**206**	59.4
Rose's Stores	17.1	**318**	13.2	8.4	**902**	4.5
H J Heinz	17.1	**319**	41.0	12.2	**678**	43.1
Deluxe Check Printers	17.0	**320**	33.2	15.4	**429**	29.1
Walt Disney	17.0	**321**	37.4	14.8	**480**	26.6
Nalco Chemical	16.9	**322**	34.6	16.1	**385**	22.5
Maryland Cup	16.9	**323**	32.6	16.6	**362**	34.8
Walgreen	16.9	**323**	46.4	6.6	**963**	22.1
Lubrizol	16.9	**325**	48.1	16.2	**377**	44.2
Gordon Jewelry	16.9%	**326**	12.3%	16.1%	**386**	56.3%
Continental Corp	16.8	**327**	–10.8	11.3	**736**	10.7
Marathon Oil	16.8	**328**	64.3	21.4	**158**	52.7
Intl Flavors & Frag	16.8	**329**	19.7	15.9	**398**	22.4
Corning Glass Works	16.8	**330**	4.5	8.1	**919**	15.9
American Can	16.7	**331**	–25.4	11.3	**737**	19.0
LTV	16.7	**331**	348.8	8.6	**887**	29.5
Norton	16.7	**331**	35.0	15.9	**395**	27.3
Reeves Brothers	16.7	**334**	21.5	9.3	**857**	5.1
Kaneb Services	16.7	**335**	69.2	36.1	**36**	60.0
Central Louisiana Engy	16.7	**336**	85.9	38.7	**23**	98.2
Gt Western Financial	16.7	**336**	–40.8	16.7	**354**	32.9
Seaway Food Town	16.6	**338**	33.9	13.4	**587**	21.9
Martin Marietta	16.6	**339**	29.5	10.5	**784**	41.3
Pay'n Save	16.6	**340**	8.7	25.2	**90**	21.6
United States Shoe	16.6	**341**	45.7	12.5	**658**	30.5
Longs Drug Stores	16.5	**342**	23.0	17.9	**273**	29.3
PepsiCo	16.5	**343**	24.0	19.6	**201**	31.9
Colonial Penn Group	16.5	**344**	–9.6	23.2	**117**	21.6
Marsh & McLennan Cos	16.5	**345**	25.6	16.1	**380**	31.8
Dana	16.4	**346**	–35.2	18.3	**258**	11.2
J P Stevens	16.4	**347**	8.0	9.4	**848**	13.8
Tyler	16.4	**348**	–6.8	15.5	**420**	30.2
Flowers Industries	16.4	**349**	8.2	20.9	**166**	17.6
Westinghouse Electric	16.4	**350**	33.8	5.0	**996**	23.5
Avnet	16.3	**351**	59.1	15.2	**446**	52.8
Nashua	16.3	**352**	–3.2	17.0	**334**	26.9
Republic Finl Svcs	16.3	**353**	2.1	16.8	**349**	17.0
Crown Cork & Seal	16.3	**354**	20.0	14.4	**506**	17.7
Emhart	16.3	**354**	–10.0	36.6	**32**	28.2
Brown-Forman Dist	16.2	**356**	91.7	11.7	**708**	55.5
General Cinema	16.2	**357**	10.4	17.1	**324**	26.7
Gibraltar Financial	16.2	**357**	P–D	23.2	**120**	47.3
Allen Group	16.2	**359**	0.3	11.0	**751**	14.4
H F Ahmanson	16.2	**360**	–42.8	19.3	**213**	29.1
Amer Hospital Supply	16.2	**360**	34.1	16.0	**387**	27.5
Weis Markets	16.1	**362**	22.9	13.4	**584**	24.0
Celanese	16.0	**363**	1.1	10.8	**768**	20.7
Intl Minerals & Chem	16.0	**364**	33.4	14.3	**521**	35.8
Motorola	16.0	**365**	33.2	12.9	**632**	35.3
Rainier Bancorp	16.0	**365**	10.7	17.5	**295**	52.2
Levitz Furniture	16.0	**367**	–6.8	8.4	**896**	3.6
Paine Webber	16.0	**367**	–55.9	26.1	**84**	112.7
Upjohn	16.0	**367**	34.6	15.4	**429**	28.7
Westvaco	16.0	**370**	28.1	12.1	**680**	25.7
Amerada Hess	15.9	**371**	99.1	19.2	**218**	44.6
United Refining	15.9	**371**	–3.5	20.1	**184**	54.3
Rexnord	15.9	**373**	–12.0	14.6	**493**	23.2
Potlatch	15.8	**374**	–33.4	11.3	**735**	4.0
Murphy Oil	15.8	**375**	117.0	17.6	**292**	42.6
Control Data	15.8	**376**	52.2	13.7	**558**	34.7
Genuine Parts	15.8	**377**	26.1	17.0	**334**	23.5
Pillsbury	15.7	**378**	31.5	17.3	**309**	73.7
Carson Pirie Scott	15.7	**379**	–12.1	5.6	**986**	6.2
Joy Manufacturing	15.7	**379**	27.8	14.4	**502**	28.9
A C Nielsen	15.7	**381**	19.4	17.7	**282**	49.2
Colt Industries	15.7	**382**	15.0	15.2	**443**	17.7
UAL	15.7	**383**	P–D	12.9	**630**	34.5
InterNorth	15.7	**384**	46.3	20.1	**187**	42.8
Texas Commerce Bshs	15.6	**385**	40.5	28.1	**69**	68.4
GK Technologies	15.6	**386**	75.0	15.4	**432**	37.5
Sysco	15.6	**387**	56.8	19.0	**227**	48.0
Ametek	15.5	**388**	6.8	12.0	**691**	17.5
Connecticut General	15.5	**388**	20.2	13.1	**611**	11.8
Leaseway Transportation	15.5	**388**	13.4	13.7	**565**	15.5

*For some companies (as noted in individual Yardsticks tables) the growth rate is for less than five years. For comparison, the five-year average annual increase in prices was 7.1%, as measured by the Department of Commerce's *Implicit Price Deflator for Gross National Product*, which measures inflation in all sectors of the economy. †Latest 12-months. P-D: profit to deficit.

Who's where in growth

Company	Earnings per share			Sales		
	5-year average*	rank	80† vs 1977-79	5-year average*	rank	80† vs 1977-79
Standard Oil Indiana	15.5%	391	56.5%	18.6%	249	55.0%
Malone & Hyde	15.5	392	30.3	17.4	297	37.3
Security Pacific	15.5	393	24.4	16.8	347	60.4
Bendix	15.5	394	27.1	10.5	784	7.2
Fred Meyer	15.5	394	–9.3	15.9	394	24.2
Mercantile Texas	15.5	396	25.5	41.4	16	67.3
Alleghany	15.5	397	36.4	41.8	14	139.7
BanCal Tri-State	15.5	398	–9.4	7.9	922	39.4
Diamond Shamrock	15.5	398	8.3	20.2	183	60.1
Peabody Intl	15.4	400	4.0	20.6	172	31.2
Shopwell	15.4	401	72.9	7.8	925	22.1
Ideal Basic Inds	15.3	402	32.7	11.5	724	14.4
Southland	15.3	402	13.0	17.9	274	44.7
Union Camp	15.3	404	23.7	11.4	728	26.1
Kellogg	15.3	405	20.7	14.0	541	23.0
General Mills	15.3	406	27.5	15.1	458	29.9
Quaker Oats	15.3	407	29.2	12.6	651	42.9
North Amer Philips	15.2	408	3.3	20.1	185	18.0
Borg-Warner	15.2	409	–1.5	9.5	844	13.9
INA	15.2	410	28.8	16.7	356	21.6
Wells Fargo	15.2	411	5.6	16.7	356	57.0
BankAmerica	15.1	412	27.6	18.7	242	61.1
CBS	15.1	412	–3.5	15.0	469	22.1
Freeport Minerals	15.1	414	176.7	15.2	444	67.3
U S Bancorp	15.1	414	22.3	15.7	410	44.4
Cessna Aircraft	15.1	416	–30.5	17.6	290	29.4
Hershey Foods	15.1	416	21.4	13.9	545	47.5
Ogden	15.1	418	14.3	6.9	953	15.7
Universal Foods	15.1	419	–17.1	19.8	194	45.4
Stauffer Chemical	15.1	420	2.4	14.5	498	20.3
Economics Laboratory	15.0	421	15.9	16.3	375	41.4
Penn Traffic	15.0	421	11.7	17.7	281	25.4
DEKALB AgResearch	15.0	423	28.1	18.[illegible]	269	30.2
Copeland	15.0	424	45.1	11.[illegible]	726	23.5
TRW	15.0	425	15.5	13.2	609	26.1
Ball Corp	15.0	426	23.5	16.7	356	27.6
Burroughs	14.9	427	8.8	13.5	575	21.0
Republic New York	14.9	427	120.4	36.1	37	150.2
Witco Chemical	14.9	429	14.7	15.0	465	43.6
Roadway Express	14.9	430	27.8	16.7	360	18.3
Bache Group	14.9	431	296.0	16.3	374	96.8
Republic Natl Life	14.8	432	12.3	3.9	1010	–4.0
Sperry	14.8	433	21.1	10.2	804	21.8
Southwest Forest Inds	14.8	434	3.9	11.7	713	17.4
Republic of Texas	14.8	435	19.9	22.7	130	77.8
Black & Decker	14.7	436	26.6	17.0	341	45.0
Dow Jones	14.7	437	18.8	15.7	408	35.3
West Point-Pepperell	14.7	438	55.8	14.7	484	37.7
Honeywell	14.7	439	13.5	8.6	885	32.7
Johnson & Johnson	14.7	440	26.5	16.7	360	30.9
Mobil	14.6	441	101.9	22.6	132	53.4
Valley Natl Bk Ariz	14.6	441	36.6	14.7	487	59.6
George A Hormel	14.6	443	52.2	8.2	915	4.7
Gt Northern Nekoosa	14.6	444	35.4	15.1	460	32.0
A-T-O	14.6	445	41.2	8.2	912	19.5
Earle M Jorgensen	14.6	445	19.3	10.9	758	19.8
Pennwalt	14.5	447	–5.7	12.1	685	23.8
Lone Star Industries	14.5	448	29.2	9.3	854	–3.1
Cities Service	14.5	449	110.8	17.9	272	45.4
Willamette Inds	14.5	450	12.8	18.6	249	19.2
St Louis-San Fran Ry	14.5	451	39.7	9.4	850	27.2
Stanley Works	14.4	452	4.4	11.8	703	21.1
Harsco	14.4	453	0.5	14.4	511	29.4
General Foods	14.4	454	7.3	12.4	666	14.0
Fruehauf	14.4	455	–48.5	19.4	208	0.0

Company	Earnings per share			Sales		
	5-year average*	rank	80† vs 1977-79	5-year average*	rank	80† vs 1977-79
Magic Chef	14.4%	455	–86.5%	15.3%	439	81.4%
National Gypsum	14.3	457	0.0	8.4	899	10.8
Santa Fe Industries	14.3	458	42.8	13.4	588	40.5
Emerson Electric	14.3	459	27.3	18.7	242	39.4
Campbell Taggart	14.3	460	19.3	12.9	625	22.0
Minn Mining & Mfg	14.3	461	22.7	13.4	588	26.6
Di Giorgio	14.3	462	–18.8	11.4	727	–3.1
Schering-Plough	14.3	462	27.0	14.6	491	47.2
Western Bancorp	14.3	464	22.3	13.9	547	52.5
R R Donnelley & Sons	14.2	465	21.1	14.9	472	35.1
Trane	14.2	465	43.7	12.0	691	34.7
Emery Air Freight	14.2	467	–6.7	19.4	208	27.4
Norris Industries	14.2	468	–39.8	10.7	778	–1.1
Zayre	14.2	469	20.5	7.2	944	13.3
CPC International	14.2	470	23.2	10.0	812	22.9
Standard Oil Calif	14.1	471	77.0	19.6	203	57.3
Dennison Mfg	14.0	472	–1.4	14.1	538	18.9
Caterpillar Tractor	13.9	473	–10.6	14.6	493	13.5
Springs Mills	13.9	474	31.1	9.3	853	25.3
Delta Air Lines	13.9	475	–11.0	16.4	365	51.2
First City Bancorp	13.9	476	36.0	24.7	96	72.1
Georgia-Pacific	13.9	476	–16.5	16.2	379	14.5
Bristol-Myers	13.8	478	27.1	12.0	688	24.3
Illinois Tool Works	13.8	479	21.1	13.4	585	16.9
Waldbaum	13.7	480	21.1	14.2	524	24.6
McCormick	13.7	481	18.3	16.4	367	29.3
Nationwide	13.7	482	21.4	10.7	776	5.3
Curtice-Burns	13.7	483	–1.7	27.4	74	41.1
So Natural Resources	13.7	483	29.2	19.8	192	58.9
Anderson, Clayton	13.7	485	19.9	6.8	956	25.7
PPG Industries	13.7	485	29.7	12.1	683	11.4
Continental Group	13.6	487	31.8	9.0	872	14.1
First Intl Bshs	13.6	488	31.5	23.0	123	66.5
New York Times	13.6	488	55.6	9.6	832	29.6
Parker-Hannifin	13.6	490	17.2	17.1	324	50.6
First Charter Finl	13.5	491	–53.2	18.8	236	31.1
Avery International	13.5	492	22.2	16.2	377	24.0
Lincoln National	13.5	492	13.0	13.1	619	19.9
Allied Stores	13.4	494	–4.4	5.8	981	7.1
Interpace	13.4	494	–26.8	6.4	968	13.4
Kidde	13.4	494	33.6	14.4	505	32.9
Dun & Bradstreet	13.4	497	36.6	12.5	658	44.0
IC Industries	13.3	498	10.5	19.4	212	47.9
IBM	13.3	498	13.9	13.1	613	22.0
Southern Railway	13.3	500	26.6	10.6	782	24.5
Carnation	13.2	501	23.6	10.7	777	21.1
Equitable of Iowa	13.2	501	27.1	13.4	591	49.0
Flickinger	13.2	501	27.0	17.2	311	18.7
Seafirst	13.2	501	19.4	18.1	266	64.3
Del E Webb	13.2	505	–23.2	8.1	920	5.7
Rollins	13.2	506	33.7	12.9	630	38.7
Becton, Dickinson	13.1	507	14.3	15.1	450	35.3
Louisiana-Pacific	13.1	507	–15.2	23.0	125	15.9
Tecumseh Products	13.1	509	–11.3	9.8	821	1.0
Crocker National	13.1	510	8.0	15.9	395	59.9
Godfrey	13.1	510	7.7	12.0	691	17.4
American Brands	13.1	512	66.4	9.7	827	25.6
Combined Internatnl	13.0	513	16.0	12.9	626	25.1
McDonough	13.0	514	–16.1	9.4	847	9.8
Pettibone	13.0	515	–18.9	12.6	653	22.6
Ralston Purina	12.9	516	14.4	11.1	745	18.1
Deere	12.9	517	–20.3	15.8	403	24.9
McGraw-Edison	12.9	518	–17.4	11.2	741	92.8
Merck	12.9	519	28.0	12.7	645	30.7
Koppers	12.9	520	–19.0	15.0	468	21.5

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Who's where in growth

	Earnings per share			Sales		
Company	5-year average*	rank	80† vs 1977-79	5-year average*	rank	80† vs 1977-79
Nabisco	12.8%	521	29.5%	8.3%	909	12.7%
Echlin Manufacturing	12.8	522	–58.0	17.0	342	10.1
Sigmor	12.8	523	99.2	37.7	27	169.7
Dow Chemical	12.7	524	19.1	17.2	314	38.1
Chesebrough-Pond's	12.7	525	37.2	16.4	369	35.3
Gould	12.7	526	–23.1	24.6	98	14.7
Super Food Services	12.6	527	–2.0	17.7	285	36.3
Square D	12.6	528	13.0	13.5	577	29.9
FMC	12.6	529	2.6	9.6	837	22.0
Ryan Homes	12.5	530	–0.5	17.0	337	8.0
Insilco	12.5	531	19.8	8.2	914	33.1
Jefferson-Pilot	12.5	531	13.4	10.4	793	15.3
Michigan National	12.5	533	–4.1	15.4	424	38.4
CBI Industries	12.4	534	18.0	7.4	938	15.0
Amer Hoist & Derrick	12.4	535	18.0	11.3	734	24.2
Briggs & Stratton	12.3	536	21.8	13.7	561	49.2
Giant Food	12.3	536	–0.2	10.2	802	27.7
Union Oil California	12.3	536	53.0	15.1	460	46.8
Trans Union	12.3	539	19.4	17.3	305	23.0
Dart & Kraft	12.2	540	12.5	9.6	832	19.6
Continental Illinois	12.2	541	26.7	19.5	205	86.7
American Home Products	12.2	542	23.9	10.9	756	20.7
Browning-Ferris Inds	12.2	542	38.1	11.2	738	40.7
SEDCO	12.2	542	14.0	19.4	211	2.0
General Electric	12.2	545	19.6	11.4	730	21.6
Dayco	12.1	546	–43.0	11.1	743	12.6
Northwest Bancorp	12.1	547	22.7	17.2	319	53.8
Procter & Gamble	12.0	548	25.9	14.4	510	33.7
International Paper	12.0	549	–24.7	10.8	765	20.8
Lowe's Companies	12.0	549	–19.2	17.2	314	10.5
Eli Lilly	12.0	551	20.5	14.1	538	32.4
Central Steel & Wire	12.0	552	–31.8	12.4	661	1.6
Weyerhaeuser	12.0	552	–5.6	13.1	616	18.5
Capital Holding	12.0	554	17.8	8.4	902	10.0
Transco Companies	12.0	554	56.2	19.7	198	107.9
Signode	11.9	556	4.7	12.9	628	15.7
A E Staley Mfg	11.9	557	197.2	19.8	191	31.9
Coca-Cola	11.9	558	10.8	14.1	534	31.8
McDermott	11.9	559	–34.0	33.2	45	32.8
Eagle-Picher Inds	11.9	560	–8.9	10.9	757	3.1
Texas Eastern	11.8	561	39.4	21.6	153	71.1
ACF Industries	11.8	562	36.8	13.3	596	19.6
Scott Paper	11.8	562	31.9	12.3	669	18.7
Citicorp	11.7	564	21.1	20.5	179	70.7
Eaton	11.7	565	–4.2	13.3	599	17.3
Kings Dept Stores	11.7	566	–45.6	13.1	616	7.7
Liquid Air of No Amer	11.7	567	6.5	15.4	426	27.3
Panhandle Eastern	11.7	567	27.5	23.4	114	50.8
Cannon Mills	11.7	569	8.7	8.5	889	15.4
Lucky Stores	11.6	570	8.9	15.3	434	33.1
Consol Natural Gas	11.6	571	–5.8	17.0	343	41.9
Winn-Dixie Stores	11.6	572	13.4	15.0	464	25.6
Brown Group	11.6	573	28.5	9.7	824	21.8
Athlone Industries	11.6	574	–61.5	5.9	979	9.7
Xerox	11.5	575	22.8	15.1	455	31.3
Stone Container	11.5	576	92.9	13.0	624	25.8
Dillingham	11.5	577	135.5	8.7	882	33.7
Fleming Companies	11.5	578	28.0	15.8	406	21.1
H H Robertson	11.5	578	62.4	7.2	945	39.2
Consolidated Foods	11.5	580	30.3	13.6	569	46.9
Butler Manufacturing	11.4	581	–11.4	12.4	663	6.0
Dravo	11.4	582	–16.0	12.3	674	17.6
Irving Bank	11.3	583	49.1	13.2	609	75.0
Borden	11.3	584	7.9	7.8	923	20.0
Hammermill Paper	11.3	584	56.1	14.2	529	25.1

	Earnings per share			Sales		
Company	5-year average*	rank	80† vs 1977-79	5-year average*	rank	80† vs 1977-79
Avon Products	11.3%	586	5.6%	12.3%	669	24.4%
National Svc Inds	11.3	586	43.5	8.5	891	29.5
Dibrell Brothers	11.2	588	0.7	10.2	801	8.6
Texas Gas Transmn	11.2	589	38.9	18.2	260	59.7
Clark Equipment	11.2	590	–24.4	6.0	977	7.7
Northwest Energy	11.2	590	42.6	28.2	68	43.8
Gifford-Hill	11.2	592	–25.4	15.9	400	51.4
E I du Pont	11.1	593	–6.3	12.9	628	22.7
Consolidated Edison	11.1	594	8.0	10.7	774	21.9
Stanadyne	11.1	595	–19.8	13.1	618	12.1
USLIFE	11.1	596	3.7	11.9	699	21.6
Masonite	11.0	597	–19.1	11.6	714	1.0
Suburban Propane Gas	11.0	598	41.9	20.8	168	66.7
May Dept Stores	11.0	599	–1.6	10.3	798	17.5
Whirlpool	10.9	600	–12.9	6.3	969	5.6
Kerr-McGee	10.8	601	28.7	17.8	275	42.4
Ethyl	10.8	602	–3.1	12.8	636	19.7
Scott & Fetzer	10.8	602	–17.0	15.4	426	30.8
National Distillers	10.8	604	–14.5	8.2	911	13.4
Hannaford Bros	10.8	605	24.2	13.3	594	20.2
Transway Intl	10.7	606	–28.9	9.7	830	4.6
AMAX	10.7	607	131.5	14.8	479	51.8
American Greetings	10.7	608	12.0	11.7	706	20.6
Beatrice Foods	10.7	608	9.7	15.3	439	15.6
Pfizer	10.7	608	17.4	12.9	632	23.9
Bemis	10.7	611	–28.0	5.5	988	1.7
Crane	10.7	611	–12.6	6.3	972	17.7
Certain-teed	10.7	613	–98.2	12.5	654	0.5
Timken	10.7	613	12.4	13.8	549	18.8
Polaroid	10.6	615	–0.1	13.0	621	11.9
Armco	10.6	616	32.0	11.9	695	25.2
Rockwell Intl	10.5	617	36.8	11.8	704	17.0
Ark Louisiana Gas	10.5	618	40.9	17.3	305	62.3
Owens-Illinois	10.5	619	31.8	11.1	746	23.3
Champion Intl	10.5	620	–18.7	9.8	820	7.5
NLT	10.5	620	9.8	9.7	828	20.0
J P Morgan	10.4	622	29.9	17.0	340	82.9
F W Woolworth	10.4	623	17.0	10.7	779	16.2
National City	10.4	624	7.9	18.3	256	67.0
Wachovia	10.4	624	20.3	11.7	708	55.2
Seagram	10.3	626	25.5	6.3	971	8.5
Nash Finch	10.2	627	–3.7	14.7	488	21.8
Maytag	10.1	628	4.0	9.6	832	10.1
Textron	10.1	629	2.1	10.0	814	14.1
Olympia Brewing	10.1	630	–50.0	17.1	332	5.9
Exxon	10.1	631	82.5	17.2	312	53.2
Longview Fibre	10.1	631	–40.1	11.7	706	21.1
Richardson-Merrell	10.1	633	40.5	13.5	582	31.8
White Consolidated	10.1	633	–14.1	13.2	603	21.7
Anchor Hocking	10.1	635	–15.1	13.5	580	18.8
Harvey Hubbell	10.0	636	32.5	14.1	538	42.8
Coastal Corp	10.0	637	37.4	38.5	24	57.8
First Bank System	10.0	637	21.5	15.3	434	54.5
Merrill Lynch	9.9	639	128.6	17.2	320	76.1
Campbell Soup	9.9	640	15.6	10.1	810	32.2
Mercantile Stores	9.9	640	–3.6	12.3	674	17.9
Pittsburgh National	9.8	642	30.2	16.3	371	76.2
Hanna Mining	9.7	643	9.0	8.6	883	0.5
Louisiana Land	9.7	644	43.1	24.8	94	69.3
Manufacturers Hanover	9.6	645	17.4	18.9	229	73.1
Toro	9.6	646	P–D	18.4	254	39.0
Federated Dept Stores	9.6	647	30.1	12.3	672	13.8
Central Tel & Utils	9.6	648	12.4	15.7	412	38.0
Ferro	9.6	649	9.5	14.9	472	33.7
Chromalloy American	9.5	650	–15.7	15.0	463	13.7

*For some companies (as noted in individual Yardsticks tables) the growth rate is for less than five years. For comparison, the five-year average annual increase in prices was 7.1%, as measured by the Department of Commerce's *Implicit Price Deflator for Gross National Product*, which measures inflation in all sectors of the economy. †Latest 12-months. P-D: profit to deficit.

Who's where in growth

	Earnings per share			Sales		
Company	5-year average*	rank	80† vs 1977-79	5-year average*	rank	80† vs 1977-79
Gulf Oil	9.5%	650	53.7%	13.9%	545	30.6%
Liberty Natl Life	9.5	650	10.5	9.4	848	17.9
NVF	9.5	653	–48.6	9.3	854	37.9
Jim Walter	9.4	654	–15.5	10.2	806	19.4
Stewart-Warner	9.4	654	–7.5	7.6	929	3.9
Yellow Freight System	9.4	654	–39.7	17.3	305	5.3
R J Reynolds Inds	9.4	657	32.8	15.8	406	37.2
Sunbeam	9.4	657	0.7	12.3	672	10.3
National Can	9.4	659	96.7	14.4	511	29.8
Gerber Products	9.3	660	14.0	10.8	765	23.3
Anheuser-Busch Cos	9.3	661	42.4	13.7	558	39.2
[illegible]	9.3	662	15.1	10.7	774	16.9
[illegible]	9.3	663	44.0	9.7	824	18.0
Western Air Lines	9.3	663	P–D	13.8	550	18.7
DETROITBANK	9.3	665	–11.5	14.4	502	46.0
Foremost-McKesson	9.2	666	–0.5	8.5	888	16.9
American Tel & Tel	9.2	667	6.4	11.6	717	19.0
VF	9.2	667	38.5	8.4	896	20.4
Washington National	9.2	669	16.7	20.5	175	2.2
Wetterau	9.2	670	19.8	12.7	644	22.8
Outlet	9.2	671	–95.6	23.1	121	11.8
Harcourt Brace Jovan	9.2	672	53.5	16.8	350	21.5
Wm Wrigley Jr	9.1	673	–14.1	12.8	638	21.7
United Telecom	9.1	674	–3.3	13.8	554	31.7
Mellon National	9.0	675	29.8	11.4	732	71.4
Moore Corp	9.0	676	19.3	14.2	524	29.4
Natl Detroit	9.0	677	5.3	10.8	768	49.8
Tenneco	9.0	677	24.1	17.7	284	40.7
NCNB	9.0	679	31.8	12.9	635	66.7
Thrifty Corp	9.0	679	30.4	12.2	676	22.8
Intl Multifoods	9.0	681	–19.2	6.6	962	11.9
Strawbridge & Clothier	8.9	682	–0.3	9.5	845	15.9
Manufacturers National	8.8	683	0.3	14.3	515	49.1
King Kullen Grocery	8.8	684	–58.6	14.1	537	17.2
Johns-Manville	8.8	685	–46.9	14.4	511	27.8
Norton Simon	8.8	685	6.1	10.8	770	31.9
Hercules	8.7	687	–1.8	11.4	725	22.6
Hart Schaffner & Marx	8.7	688	23.0	6.0	978	9.7
Eastman Kodak	8.7	689	34.4	12.2	676	31.6
Peoples Energy	8.6	690	0.6	22.7	129	52.0
Purex Industries	8.6	691	14.2	7.4	936	19.5
Duke Power	8.6	692	16.6	15.8	401	18.6
Standard Brands	8.6	693	26.1	11.0	752	23.1
Zale	8.6	694	36.6	9.9	817	[illegible].8
Allegheny Ludlum Inds	8.5	695	87.1	11.8	700	19.5
Houston Industries	8.5	696	8.1	27.3	75	59.0
A H Robins	8.5	697	48.1	12.9	626	21.2
NICOR	8.4	698	13.2	21.2	159	29.7
Garfinckel Brooks Bros	8.3	699	5.8	10.2	802	14.6
Lockheed	8.3	699	–80.1	5.2	993	34.6
Southwestern Pub Svc	8.2	701	–9.0	22.8	128	33.3
Public Service Indiana	8.2	702	3.0	16.9	344	16.6
ASARCO	8.1	703	199.0	7.6	928	52.1
Franklin Mint	8.1	703	73.0	17.8	277	19.6
Southern Union	8.1	705	52.5	28.0	70	44.7
Household Finance	8.0	706	–6.0	13.3	600	29.7
Union Carbide	8.0	707	43.5	13.6	569	21.0
AmeriTrust	8.0	708	6.8	13.7	565	40.1
Stop & Shop	8.0	709	–32.4	9.3	857	12.5
Tiger International	8.0	709	–12.7	21.5	155	93.0
Adolph Coors	7.9	711	11.6	11.5	722	32.4
Tampa Electric	7.9	712	24.4	19.2	217	23.1
Gulf United	7.8	713	26.2	14.5	501	53.2
Ford Motor	7.8	714	P–D	12.1	683	–10.8
Jewel Companies	7.8	714	42.4	8.8	874	12.2

	Earnings per share			Sales		
Company	5-year average*	rank	80† vs 1977-79	5-year average*	rank	80† vs 1977-79
Holiday Inns	7.7%	716	57.4%	6.2%	975	26.3%
Intl Harvester	7.7	717	P–D	9.5	841	–7.5
Dean Witter Reynolds	7.7	718	101.1	22.5	134	80.8
General Tel & Elec	7.6	719	–30.4	11.7	712	14.8
McDonnell Douglas	7.6	720	–7.8	9.6	831	36.4
Wisconsin Public Svc	7.6	720	7.6	16.7	359	24.1
ARA Services	7.6	722	16.4	14.1	536	59.1
Robertshaw Controls	7.5	723	–14.1	10.7	779	14.8
Oscar Mayer	7.5	724	–18.3	9.4	850	25.0
Hobart	7.5	725	14.8	11.5	721	19.3
New England G & E	7.4	726	18.2	12.5	655	29.6
Clorox	7.4	727	–2.6	12.2	679	–23.5
Squibb	7.4	728	2.2	9.2	863	13.2
Minnesota Gas	7.4	729	1.7	22.4	136	28.4
Chemical New York	7.3	730	37.5	17.1	324	63.3
St Regis Paper	7.3	731	29.2	13.4	588	17.7
National-Standard	7.2	732	–56.4	9.9	816	5.5
Cal-Maine Foods	7.2	733	P–D	16.3	373	–9.4
Crown Zellerbach	7.2	734	–24.4	12.7	645	19.2
American Petrofina	7.2	735	98.1	18.4	255	52.1
General Motors	7.1	736	P–D	12.3	667	–6.3
Northwest Airlines	7.1	737	–95.7	13.9	548	48.3
Eastern Gas & Fuel	7.1	738	73.9	13.2	608	27.5
Electronic Data Syst	7.0	739	43.9	17.8	279	85.4
Turner Construction	7.0	740	66.6	10.8	771	76.9
ENSERCH	7.0	741	64.1	33.5	42	44.9
W R Grace	7.0	741	40.5	10.2	805	30.0
Federal Paper Board	7.0	743	82.7	8.6	886	15.8
Texasgulf	7.0	743	293.3	12.6	652	64.3
First Natl Boston	6.9	745	54.1	17.8	279	80.4
Girard	6.9	746	26.9	9.6	837	39.8
First Wisconsin	6.9	747	44.5	10.4	795	45.2
Cyclops	6.9	748	P–D	9.8	822	19.7
Bankers Trust N Y	6.9	749	121.6	13.9	542	74.7
Kellwood	6.8	750	–43.9	8.3	906	13.9
Central Soya	6.8	751	43.7	7.9	921	13.3
Wisconsin Elec Power	6.8	752	3.5	13.8	555	28.0
Walter E Heller Intl	6.7	753	18.7	15.5	421	51.6
Brockway Glass	6.7	754	2.1	15.0	467	28.8
Knudsen	6.7	754	66.4	15.8	402	23.4
B F Goodrich	6.5	756	–29.4	9.2	863	18.2
Mercantile Bancorp	5.5	757	33.4	17.0	339	53.2
Southern Pacific	6.4	758	7.4	8.7	880	19.8
NL Industries	6.4	759	51.1	6.9	953	14.0
J C Penney	6.3	760	–26.9	10.4	791	8.7
Brooklyn Union Gas	6.3	761	18.6	17.7	282	49.4
Northern Trust	6.2	762	18.0	10.8	763	13.4
Pacific Lighting	6.2	763	0.1	17.1	328	72.5
Laclede Gas	6.2	764	7.5	16.5	363	24.5
Consumers Power	6.2	765	–16.8	14.5	500	15.5
Genl Tire & Rubber	6.1	766	–75.5	9.3	862	–0.5
CSX	6.1	767	48.9	9.2	866	20.8
Gray Drug Stores	6.0	768	–68.3	10.3	799	29.5
Monsanto	5.9	769	–24.2	13.5	578	22.5
Atlanta Gas Light	5.9	770	–1.5	17.0	334	57.4
Florida Power & Lt	5.9	771	5.5	16.8	348	33.8
Saga	5.9	771	21.4	18.9	231	32.9
So New England Tel	5.9	771	–11.1	10.5	788	18.2
Armstrong World Inds	5.8	774	–9.4	9.5	842	7.9
Peavey	5.7	775	76.1	9.1	871	36.8
WICOR	5.7	775	–20.6	17.1	322	30.0
Southern Calif Edison	5.7	777	–0.7	15.3	434	46.6
Fleetwood Enterprises	5.6	778	P–D	16.0	392	–39.2
Castle & Cooke	5.6	779	–53.9	14.1	534	29.3
Newmont Mining	5.6	780	213.5	13.4	592	31.8

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Who's where in growth

	Earnings per share			Sales				Earnings per share			Sales		
Company	5-year average*	rank	80† vs 1977-79	5-year average*	rank	80† vs 1977-79	Company	5-year average*	rank	80† vs 1977-79	5-year average*	rank	80† vs 1977-79
Sears Roebuck	5.6%	780	–33.0%	9.3%	854	3.7%	Univar	3.3%	846	35.2%	13.0%	622	22.9%
Ingersoll-Rand	5.5	782	9.9	14.9	474	19.5	Brunswick	3.3	847	–43.3	9.9	819	6.9
Burlington Inds	5.5	783	3.4	5.0	997	16.2	UMC Industries	3.2	848	–24.9	10.1	808	23.6
Sterling Drug	5.5	784	21.9	10.9	762	23.4	Allied Van Lines	3.1	849	111.7	12.1	687	20.4
Colgate-Palmolive	5.5	785	–25.1	14.4	509	17.9	Stokely-Van Camp	3.1	850	–16.1	7.4	939	10.5
Kaiser Steel	5.4	786	472.8	8.1	918	14.2	Quaker State Oil	3.1	851	–11.1	21.8	148	43.3
New England Electric	5.4	787	5.3	11.4	730	24.6	Equifax	3.1	852	1.2	8.3	909	17.5
Phillips-Van Heusen	5.4	788	35.7	3.5	1014	14.6	Long Island Lighting	3.0	853	–1.6	14.2	529	31.0
Continental Tel	5.3	789	4.5	11.8	701	33.1	Rohm & Haas	3.0	854	46.4	11.0	748	28.1
Hoover	5.3	790	26.5	6.6	966	20.2	Cincinnati G & E	3.0	855	–13.0	15.1	455	22.1
Wisconsin Pwr & Lt	5.3	790	12.2	17.0	337	25.2	Amstar	2.8	856	109.1	3.3	1016	53.1
Collins & Aikman	5.2	792	–34.1	10.4	796	5.0	Diamond Intl	2.8	857	–25.5	10.0	812	11.3
Easco	5.2	793	–67.8	13.7	564	12.0	Carolina Pwr & Lt	2.8	858	–19.6	17.2	313	15.2
Columbia Gas System	5.1	794	14.5	17.2	317	41.7	So Carolina E & G	2.8	859	–1.3	16.4	370	29.2
Carter Hawley Hale	5.0	795	2.0	14.3	514	26.8	Baltimore Gas & Elec	2.7	860	6.1	12.7	647	25.8
Indianapolis Pwr & Lt	5.0	796	22.6	15.4	433	11.1	Champion Spark Plug	2.6	861	–20.1	11.0	752	15.1
Morton-Norwich	5.0	797	15.1	9.9	815	32.0	Pa Power & Light	2.6	862	–14.9	13.8	551	7.1
Sybron	5.0	798	–0.9	8.7	881	21.9	Sheller-Globe	2.5	863	P–D	14.4	504	–8.8
Texas Utilities	5.0	799	19.4	19.2	219	32.2	Beneficial Corp	2.5	864	–27.4	8.2	915	25.2
Chase Manhattan	4.9	800	70.2	15.0	466	64.2	Bird & Son	2.3	865	–96.5	15.2	447	5.4
Philadelphia Natl	4.9	800	23.1	12.0	691	42.5	BancOhio	2.2	866	–77.1	15.3	441	44.2
Allied Chemical	4.9	802	158.4	15.4	423	53.1	Gulf States Utils	2.2	867	32.6	19.6	204	36.2
Central & South West	4.9	803	5.8	19.6	201	24.7	Cleveland Elec Illum	2.1	868	–12.3	13.9	543	17.8
Fischbach	4.8	804	5.0	8.4	896	17.0	Amer Maize-Products	2.0	869	41.4	12.5	656	30.2
Saxon Industries	4.8	805	28.4	8.6	884	20.5	Pacific Pwr & Lt	2.0	869	–8.2	22.2	139	55.8
Florida Power	4.7	806	–14.6	19.3	216	25.0	Middle South Utils	1.9	871	–10.1	18.7	240	36.6
Alexander & Baldwin	4.7	807	161.1	9.7	824	30.6	Illinois Power	1.8	872	9.0	16.4	366	29.9
Bank of New York	4.6	808	22.1	17.5	293	86.5	Pacific Gas & Elec	1.8	873	6.7	18.7	242	33.1
N Y State Elec & Gas	4.5	809	12.4	14.2	526	18.9	San Diego Gas & Elec	1.8	873	–47.2	20.6	174	45.2
Safeway Stores	4.5	810	–12.7	11.6	718	15.6	Utah Power & Light	1.8	873	14.9	23.9	106	40.8
Greyhound	4.5	811	38.8	5.8	983	9.6	McLean Trucking	1.6	876	P–D	15.8	404	40.5
Alexander's	4.4	812	–73.7	6.1	976	17.7	Inland Steel	1.4	877	–83.1	10.8	773	1.3
Arizona Public Service	4.4	812	–5.4	18.9	228	31.1	Niagara Mohawk Power	1.4	878	–5.2	13.1	611	27.8
Harris Bankcorp	4.4	814	13.8	14.7	482	56.9	Graniteville	1.4	879	95.3	10.2	807	11.1
Kansas Power & Light	4.3	815	13.3	18.4	253	20.0	Sperry & Hutchinson	1.0	880	–28.9	5.1	995	1.6
Washington Gas Light	4.3	815	–12.6	14.4	508	21.6	CFS Continental	0.9	881	72.7	17.5	296	17.8
Potomac Elec Power	4.3	817	20.0	14.5	498	16.4	Detroit Edison	0.8	882	–13.1	14.2	529	10.0
Republic Airlines	4.3	817	P–D	25.5	87	94.1	Western Union	0.7	883	20.8	7.0	948	11.0
Southeast Banking	4.3	817	56.0	17.1	328	58.7	Edward Hines Lumber	0.7	884	P–D	12.3	671	–13.6
Union Electric	4.3	820	24.8	14.9	475	23.2	Kansas City Pwr & Lt	0.7	885	41.3	15.1	462	34.6
Dillard Dept Stores	4.2	821	–5.7	18.6	248	27.8	Central Ill Pub Svc	0.6	886	0.2	17.7	285	21.9
American Cyanamid	4.2	822	0.8	12.1	685	22.0	Delmarva Power & Lt	0.6	887	–0.2	13.6	571	30.0
Gillette	4.1	823	29.4	11.1	744	26.4	Amfac	0.6	888	59.7	10.8	764	23.0
St Joe Minerals	4.1	823	50.4	18.5	252	45.4	AMF	0.5	889	11.3	7.2	943	13.2
Lane Bryant	4.1	825	10.9	3.9	1011	9.3	National Steel	0.4	890	–9.0	11.6	714	2.6
Copperweld	4.0	826	–3.8	11.7	705	9.8	Allegheny Power	0.4	891	3.2	15.7	413	25.4
Texaco	4.0	827	93.6	17.8	276	57.1	Purolator	0.4	892	–9.9	10.9	755	31.4
Libbey-Owens-Ford	4.0	828	–60.1	11.0	749	4.9	Frederick & Herrud	0.2	893	75.0	18.5	251	11.3
Rochester Gas & Elec	4.0	829	–0.3	11.8	702	26.0	Goodyear	0.2	894	–10.6	9.6	832	11.6
Intl Tel & Tel	4.0	830	40.5	9.3	861	20.7	Associated Dry Goods	0.1	895	21.1	7.0	950	16.1
Lukens Steel	3.9	831	–63.1	7.5	933	21.6	Commercial Metals	0.1	896	155.5	17.6	289	58.0
National Fuel Gas	3.9	832	8.0	16.7	355	30.7	Zapata	0.0	897	207.8	13.1	614	20.6
First Boston	3.8	833	352.4	28.5	64	116.1	Ramada Inns	–0.2	898	13.1	13.7	562	30.5
Amer Natl Resources	3.8	834	–10.7	20.6	173	40.7	Louisville Gas & Elec	–0.3	899	11.6	14.7	484	31.8
Esmark	3.8	835	6.7	6.7	960	–33.5	Boston Edison	–0.3	900	24.0	12.8	643	33.4
Dynalectron	3.7	836	183.3	20.3	182	36.1	Northwestern Steel	–0.6	901	–31.4	8.4	894	9.6
Fedl Natl Mortgage	3.6	837	–73.6	14.4	506	41.9	GATX	–0.7	902	53.8	9.3	860	24.9
Pac Gamble Robinson	3.5	838	–7.3	9.6	832	16.6	American Elec Power	–0.7	903	4.2	18.1	265	50.5
Amerace	3.5	839	–5.4	8.4	893	7.3	Pittston	–0.8	904	41.5	11.0	750	30.3
Pub Svc Elec & Gas	3.5	839	6.0	13.5	580	25.4	Republic Steel	–0.8	904	–76.7	10.3	797	5.2
Warner-Lambert	3.4	841	–12.6	10.9	758	18.8	Phila Electric	–0.8	906	5.0	12.8	639	36.7
First Chicago	3.4	842	–42.0	15.1	455	66.1	Commonwealth Edison	–0.8	907	–12.5	13.4	593	29.8
Gas Service	3.4	843	–27.5	16.4	367	32.3	Interlake	–0.9	908	–64.8	13.3	600	17.0
Royal Crown Cos	3.4	843	3.6	13.6	572	11.7	Southern Company	–1.2	909	33.6	17.4	300	21.4
No States Power	3.3	845	–9.9	13.8	551	15.2	Oklahoma Gas & Elec	–1.2	910	–12.0	20.5	178	32.2

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Who's where in growth

	Earnings per share			Sales		
Company	**5-year average***	**rank**	**80† vs 1977-79**	**5-year average***	**rank**	**80† vs 1977-79**
Harnischfeger	–1.5%	911	–63.7%	17.3%	**308**	25.1%
Toledo Edison	–1.5	912	–9.4	18.2	**262**	18.7
Va Electric & Power	–1.6	913	–8.3	19.0	**225**	38.6
U S Industries	–1.6	914	–38.4	–3.0	**1029**	–12.4
G C Murphy	–1.7	915	55.2	8.3	**908**	7.9
Dayton Power & Light	–1.7	916	4.2	14.5	**496**	20.6
Central Illinois Lt	–1.7	917	7.1	19.2	**220**	18.2
Montana Power	–1.8	918	9.7	21.4	**157**	37.2
Ohio Edison	–1.8	918	–5.7	15.4	**426**	19.8
Northeast Utilities	–1.9	920	–7.3	10.5	**786**	36.9
Avondale Mills	–1.9	921	50.4	9.1	**870**	22.0
First Natl Supermkts	–2.2	922	58.2	41.5	**15**	39.5
G D Searle	–2.2	923	111.2	13.3	**598**	25.4
No Indiana Pub Svc	–2.4	924	–20.3	18.9	**232**	34.2
Playboy Enterprises	–2.6	925	117.5	8.7	**879**	47.0
Williams Companies	–2.8	926	171.2	16.1	**382**	33.0
AM International	–2.8	927	–59.2	7.4	**939**	38.5
Ceco	–2.9	928	149.7	6.8	**958**	29.0
Reichhold Chemicals	–3.1	929	–14.0	18.7	**239**	15.4
Kentucky Utilities	–3.1	930	–24.9	16.0	**390**	21.4
Public Service Colo	–3.2	931	15.3	18.8	**234**	44.6
Questor	–3.2	932	P–D	4.9	**1000**	0.0
General Public Utils	–3.3	933	–74.1	14.2	**529**	29.0
Marshall Field	–3.4	934	–24.4	8.2	**912**	18.1
Skyline	–4.0	935	–64.0	3.5	**1013**	–22.1
Armstrong Rubber	–4.2	936	P–D	9.9	**817**	5.8
Pabst Brewing	–4.3	937	–17.0	8.4	**892**	12.6
Tesoro Petroleum	–4.4	938	NM	36.2	**35**	105.8
Gulf Resources & Chem	–4.5	939	54.6	18.2	**260**	56.5
El Paso	–4.6	940	–22.8	15.7	**410**	64.7
Outboard Marine	–4.7	941	–89.7	8.8	**877**	–0.6
Mohasco	–4.8	942	–66.8	7.6	**931**	5.2
Chic Pneumatic Tool	–5.1	943	–32.6	11.0	**754**	25.9
Marine Midland Banks	–5.1	944	63.6	8.3	**905**	68.4
Duquesne Light	–5.4	945	13.2	14.8	**477**	20.0
Inco	–5.7	946	150.7	13.1	**615**	37.2
Citizens & Southern NB	–7.5	947	293.1	8.1	**917**	33.6
Phelps Dodge	–8.1	948	101.2	5.8	**982**	31.5
Portland Genl Elec	–8.2	949	4.8	18.7	**246**	47.9
M Lowenstein	–9.4	950	31.3	3.5	**1014**	5.2
Zenith Radio	–9.6	951	120.5	4.1	**1008**	16.6
Westmoreland Coal	–9.6	952	P–D	7.8	**924**	25.3
Coca-Cola Bottling NY	–10.1	953	P–D	11.5	**722**	6.9
Kuhn's-Big K Stores	–10.2	954	P–D	17.8	**277**	–1.2
Kane-Miller	–10.3	955	97.4	7.2	**946**	–27.0
Akzona	–11.1	956	–45.3	6.8	**956**	17.1
Warnaco	–11.4	957	70.5	6.9	**951**	12.5
Pamida	–12.1	958	12.5	13.0	**620**	5.0
Sherwin-Williams	–12.2	959	600.0	9.2	**865**	11.3
Wheeling-Pitts Steel	–12.7	960	50.9	7.4	**941**	–4.6
Kennecott	–13.5	961	76.5	13.3	**595**	29.4
Gino's	–13.7	962	P–D	11.7	**708**	6.8
Fisher Foods	–14.8	963	28.2	9.5	**845**	–5.9
Bell & Howell	–16.0	964	D–P	6.3	**970**	13.5
Talley Industries	–16.7	965	P–D	5.5	**989**	–0.8
Amdahl	–19.2	966	–72.5	33.4	**43**	36.8
GAF	–20.2	967	1,140.0	5.6	**987**	15.9
Savannah Foods	–20.4	968	D–D	3.1	**1018**	52.2
General Host	–21.1	969	207.1	4.1	**1007**	12.1
Bethlehem Steel	–21.1	970	497.6	8.4	**900**	9.4
Fidelcor	–22.6	971	574.2	6.3	**972**	26.2
Envirotech	–26.4	972	P–D	14.2	**523**	–2.4
Munford	–27.9	973	D–P	9.1	**868**	4.7
Allied Products	–30.9	974	P–D	5.1	**994**	–3.3
Firestone	–44.1	975	P–D	8.4	**894**	3.5
Jos Schlitz Brewing	–44.4	976	D–D	5.4	**990**	–1.4
United States Steel	–55.9%	977	P–D	9.4%	**850**	8.1%
Fed-Mart	P–Z	978	D–D	20.7	**170**	43.6
American Motors	P–D	979	P–D	8.4	**902**	1.4
Braniff Intl	P–D	979	P–D	18.1	**268**	42.1
Chrysler	P–D	979	D–D	5.3	**991**	–32.5
Commonwealth Oil Rfg	P–D	979	D–D	13.2	**607**	23.9
Culbro	P–D	979	D–D	7.2	**947**	1.1
First Pennsylvania	P–D	979	P–D	10.3	**800**	10.6
Food Fair	P–D	979	D–P	–1.0	**1026**	–49.8
General Refractories	P–D	979	D–P	10.9	**761**	19.8
Goldblatt Brothers	P–D	979	D–D	2.8	**1019**	–8.1
Jonathan Logan	P–D	979	D–D	4.7	**1001**	8.6
Keystone Consolidated	P–D	979	D–D	6.6	**964**	2.9
Macmilian	P–D	979	D–D	4.3	**1006**	4.2
Manhattan Industries	P–D	979	D–D	8.3	**907**	–2.0
Massey-Ferguson	P–D	979	D–D	12.8	**639**	9.0
McLouth Steel	P–D	979	P–D	11.4	**733**	–6.3
Monfort of Colorado	P–D	979	P–D	12.8	**639**	57.8
National Kinney	P–D	979	D–D	–2.5	**1028**	17.4
Penn-Dixie Inds	P–D	979	D–D	4.1	**1009**	7.1
Pueblo International	P–D	979	15.6%	–7.5	**1038**	9.7
Rohr Industries	P–D	979	–92.9	0.4	**1024**	50.6
Sambo's Restaurants	P–D	979	D–D	25.7	**85**	–4.4
Scot Lad Foods	P–D	979	D–P	3.2	**1017**	5.4
Uniroyal	P–D	979	D–D	4.4	**1004**	–13.5
United Merch & Mfrs	P–D	979	D–D	–3.7	**1030**	–5.9
Vornado	P–D	979	D–D	–1.7	**1027**	–15.0
Allied Supermarkets	D–D	**1004**	D–P	–5.9	**1035**	–29.1
City Stores	D–D	**1004**	D–D	–3.8	**1031**	–25.2
Genesco	D–D	**1004**	D–P	–4.9	**1033**	–24.1
Great Atl & Pac Tea	D–D	**1004**	D–D	2.0	**1020**	–6.3
National Tea	D–D	**1004**	15.9	–6.9	**1036**	26.9
Rath Packing	D–D	**1004**	D–P	1.3	**1021**	25.8
Seatrain Lines	D–D	**1004**	D–D	18.2	**259**	117.4
Ward Foods	D–D	**1004**	P–D	–5.5	**1034**	–14.1
White Motor	D–D	**1004**	P–D	1.1	**1023**	–6.4
American Airlines	D–P		P–D	13.3	**596**	31.2
American Bakeries	D–P		–63.8	6.5	**967**	5.4
Ampex	D–P		84.7	5.0	**999**	52.1
Arden Group	D–P		494.1	–7.0	**1037**	11.5
Bangor Punta	D–P		31.9	17.1	**322**	13.3
Borman's	D–P		P–D	11.6	**718**	19.4
CNA Financial	D–P		6.6	7.6	**929**	20.5
Columbia Pictures	D–P		7.4	15.7	**409**	41.7
Computer Sciences	D–P		49.6	18.3	**257**	47.1
Eastern Air Lines	D–P		P–D	13.4	**585**	36.7
Foodarama Supermkts	D–P		P–D	5.3	**991**	11.7
GEICO	D–P		2.2	4.3	**1005**	14.6
Grumman	D–P		–21.6	8.9	**873**	11.9
Hartfield-Zodys	D–P		–18.9	6.8	**959**	14.6
Mattel	D–P		9.0	14.3	**517**	57.9
Memorex	D–P		P–D	26.1	**82**	24.2
Pan Am World Airways	D–P		P–D	10.5	**789**	51.3
Rapid-American	D–P		–30.9	0.1	**1025**	5.1
Reliance Group	D–P		85.4	10.5	**787**	10.1
Revere Copper	D–P		20.5	9.5	**843**	12.1
Singer	D–P		218.5	1.3	**1022**	12.7
Thriftimart	D–P		30.6	5.8	**984**	20.7
Todd Shipyards	D–P		72.4	14.9	**476**	39.7
Trans World	D–P		P–D	14.8	**477**	27.2
United Brands	D–P		164.1	9.7	**829**	35.6
Valero Energy	D–P		234.4	19.7	**196**	38.1
DPF	**		–30.1	**		24.3
Penn Central	**		26.2	**		132.0
Toys "R" Us	**		40.3	**		38.9

*For some companies (as noted in individual Yardsticks tables) the growth rate is for less than five years. For comparison, the five-year average annual increase in prices was 7.1%, as measured by the Department of Commerce's *Implicit Price Deflator for Gross National Product*, which measures inflation in all sectors of the economy. †Latest 12-months. P-Z: profit to zero. P-D: profit to deficit. D-D: deficit to deficit. D-P: deficit to profit; not ranked. **Not available, not ranked. NM: not meaningful.

Why the stock market keeps proving—against all those dire predictions—that it may be the place for an investor to be over the long term.

Who's where in the stock market

LAST YEAR THE FORBES stock market report showed that if you'd bought the 1,031 stocks in the FORBES list back in the depths of the bear market of late 1974 and held them for five years you'd have made money on nine out of ten of them. This year—starting from the higher base of late 1975—you wouldn't have done so well. But still, you'd have made money on three out of four of the 1,029 stocks ranked below; and on well over half, you'd have kept ahead of the double-digit cost-of-living increases—an average 10½% a year—that prevailed during that five-year period. In fact, about 40% of the 1,029 doubled in price, one out of four tripled, and 171 stocks quadrupled or did even better.

What's it mean? Clearly, amid dire predictions and short-term frenzies, the market keeps proving that it may very well be the place to be over the long term. That's sometimes obscured by well-known but incomplete measures of what the "market" is.

For example, if you'd bought *all* 1,029 of these stocks on the last trading day of 1975 and held them all, winners and losers, until Nov. 19, 1980—FORBES' measuring period—the *average* increase would have been 161%. Compare that to the Dow Jones industrial averages, up only 16% over the same period. Other broad measures of the market make the same point we do. For example, the Wilshire 5000—the total market value of 5,000 stocks—increased during that same five-year period from $754.1 billion to nearly $1.4 trillion—or 80%, 5 times as much as the Dow.

Among the big gainers in the table below, both unranked last year, are number one Resorts International and number four Caesars World. Both proved not only that somebody made a lot of money during the gambling-stock craze of 1978-79, but also what risks it carried. Resorts International soared to 69½ at the height of the frenzy but was at 26¼ at the end of the FORBES measuring period Nov. 19; Caesars, up to 36⅛, fell to 13⅜. Among the top five, though, were three glamour stocks which showed more stability—Wang Laboratories, Mitchell Energy and National Medical Enterprises, all selling late in 1980 near their 1976-80 highs.

Who's where in the stock market

Rank 80	Rank 79	Company	5-year price change	1976-80 price range	Recent price	Shares outstanding (millions)	Total market value (millions)	Latest 12-month earnings per share	Price/ earnings ratio	Indicated annual dividend	Current yield
1	*	Resorts Intl	4,100.0%	69½– ⅝	26¼	11.0	$ 290	$ 4.27	6	none	0.0%
2	3	Wang Laboratories	2,780.2‡	45¼– 1¼	44⅝	56.0	2,469	1.08	41	$0.12	0.3
3	*	Mitchell Enrgy & Dev	2,488.9	59¾– 2⅜	58¼	35.9	2,090	2.41	24	0.20	0.3
4	*	Caesars World	1,827.2	36⅛– ⅝	13⅜	26.2	351	1.29	10	none	0.0
5	*	Natl Medical Entrprs	1,784.5	37⅝– 1⅞	37⅛	19.1	711	1.98	19	0.60	1.6
6	**4**	**Humana**	**1,526.7**	67 – 3⅝	65¾	18.1	**1,189**	3.07	21	1.20	1.8
7	**40**	**Shearson Loeb Rhoades**	**1,487.0**	35⅞– 2¼	35¼	13.8	**485**	5.38	7	0.48	1.4
8	**43**	**Tosco**	**1,485.7**	42 – 2⅜	41⅝	20.5	**855**	3.80	11	none	0.0
9	**13**	**Subaru of America**	**1,400.0**	21⅜– ½	20⅝	6.0	**124**	2.55	8	0.32	1.6
10	**174**	**Texas Oil & Gas**	**1,379.5**	83½– 5⅜	81	47.6	**3,852**	2.96	27	0.36	0.4
11	6	Teledyne	1,366.5	212 –14	205	13.8	2,835	20.95	10	none	0.0
12	242	Chic & North Western	1,362.9	70¼– 4¼	64	4.4	284	8.00	8	none	0.0
13	145	Kay	1,359.0	32½– 2⅛	31½	3.1	97	3.15	10	0.75	2.4
14	34	Nucor	1,344.7	74¼– 4⅞	71¼	6.8	485	7.43	10	0.44	0.6
15	17	Amer Medical Intl	1,245.0	39⅞– 2⅞	39⅛	14.6	572	2.11	19	0.64	1.6
16	**62**	**Waste Management**	**1,234.6**	92¼– 6¾	91¾	13.0	**1,191**	3.93	23	0.90	1.0
17	**24**	**Fairchild Industries**	**1,181.3**	32½– 2½	30¾	12.8	**392**	3.85	8	0.72	2.3
18	**11**	**Litton Industries**	**1,177.5**	79½– 6⅛	78⅜	37.6	**2,948**	7.27	11	1.20	1.5
19	**45**	**General Instrument**	**1,095.0**	97 – 7⅞	94¾	8.7	**829**	6.81	14	1.00	1.1
20	**99**	**Cincinnati Milacron**	**1,089.2**	57 – 4¾	55	15.0	**825**	5.16	11	1.08	2.0
21	*	Empire	1,066.7	39 – 2⅞	35	3.4	120	1.66	21	0.36	1.0
22	122	Parker Drilling	1,064.4	67½– 5¾	65½	14.3	936	3.07	21	0.32	0.5
23	60	Foster Wheeler	1,031.8	30½– 2⅝	29⅜	34.2	1,001	1.55	19	0.40	1.4
24	37	Parsons	1,014.9	54½– 4⅜	49	12.2	596	2.13	23	1.00	2.0
25	23	Reliance Group	1,012.0	80¼– 6	69½	6.2	431	22.82	3	3.00	4.3
26	**19**	**Whittaker**	**996.0**	34¼– 3	34¼	14.6	**500**	3.88	9	1.40	4.1
27	**106**	**Murphy Oil**	**986.2**	64 – 5⅝	62	37.3	**2,312**	3.82	16	0.50	0.8
28	**18**	**Storage Technology**	**953.7**	26 – 2	24⅝	25.1	**618**	1.69	15	none	0.0
29	*	**Berkshire Hathaway**	**924.4**	425 –39	420	1.0	**431**	36.70	11	none	0.0
30	**96**	**Cabot**	**898.7**	36¾– 3⅛	31	31.4	**972**	4.88	6	0.80	2.6
31	28	Gates Learjet	853.0	47⅜– 4⅞	45⅛	5.7	259	2.62	17	0.40	0.9
32	*	Mission Insurance	852.9	39⅞– 3½	36	7.8	281	4.85	7	0.80	2.2
33	53	Bunker Ramo	832.4	41½– 4⅜	39⅝	5.8	228	3.70	11	1.20	3.0
34	*	Trinity Industries	766.8	30¾– 3¼	29⅛	15.5	450	2.43	12	0.40	1.4
35	287	Natomas	745.7	45¾– 5¼	43¼	51.7	2,237	3.91	11	1.00	2.3
36	**48**	**G Heileman Brewing**	**737.5**	38 – 4	33½	8.7	**291**	3.87	9	0.88	2.6
37	**155**	**NN**	**735.7**	59 – 6⅞	58½	6.2	**364**	4.82	12	2.00	3.4
38	**259**	**Handy & Harman**	**729.3**	33¼– 3⅝	30⅛	13.6	**410**	2.01	15	0.50	1.7
39	**105**	**Hanover Insurance**	**726.7**	51½– 5⅛	46½	3.4	**158**	10.87	4	0.72	1.5
40	**14**	**Bruno's**	**690.4**	10⅞– 1⅜	10¾	8.5	**91**	1.06	10	0.30	2.8
41	101	Cullum Companies	679.7	29¼– 3¾	28¼	3.3	95	3.52	8	1.00	3.5
42	*	Holly Corp	676.5	17¾– 2	16½	8.4	138	1.10	15	none	0.0
43	77	Crown Central Petroleum	646.6	58½– 4⅞	36⅜	5.5	200	6.00	6	1.60	4.4
44	51	Transco Companies	644.8	64¼– 8½	62⅜	23.3	1,454	4.38	14	1.44	2.3
45	444	Tandy	643.3	101⅞–10½	96⅝	25.5	2,464	4.72	20	none	0.0
46	**35**	**United Energy Resources**	**638.4**	55⅞– 7	54	25.8	**1,393**	5.64	10	1.52	2.8
47	**8**	**Bally Manufacturing**	**638.4**	48⅝– 2⅞	21	25.5	**536**	1.99	11	0.10	0.5
48	**39**	**Boeing**	**636.1**	45⅞– 5½	39⅞	96.4	**3,842**	6.01	7	1.40	3.5
49	**66**	**Republic Natl Life**	**630.8**	24¾– 3⅛	23¾	9.4	**223**	1.80	13	0.70	2.9
50	**83**	**Belco Petroleum**	**623.3**	67 – 9⅛	64½	11.5	**739**	6.89	9	1.00	1.6
51	12	Metromedia	616.2	107 –15	104¾	4.2	445	11.41	9	4.00	3.8
52	221	Morrison-Knudsen	613.7	45⅜– 5¾	44¾	8.4	376	3.38	13	0.92	2.1
53	15	Columbia Pictures	611.6	38¾– 4½	38¼	10.1	385	5.05	8	0.60	1.6
54	419	Zapata	600.9	71¼– 8¼	69¾	10.4	728	3.55	20	0.48	0.7
55	195	Superior Oil	589.6	237 –29⅝	225½	25.4	5,723	11.30	20	0.72	0.3
56	**339**	**Cameron Iron Works**	**589.5**	65¾– 8½	65½	29.9	**1,960**	2.79	23	0.32	0.5
57	**54**	**RLC**	**586.3**	17⅛– 2¼	15¼	11.7	**179**	1.86	8	0.64	4.2
58	**250**	**EG&G**	**581.4**	48½– 6⅞	48⅛	13.4	**645**	2.40	20	0.50	1.0
59	**65**	**Warner Communications**	**574.8**	68 – 9⅞	67⅜	27.3	**1,838**	7.74	9	1.36	2.0
60	**228**	**Todd Shipyards**	**573.3**	50½– 7½	50½	2.1	**106**	5.89	9	1.00	2.0
61	270	Amerada Hess	572.2	54¾– 7½	51	77.9	3,972	6.59	8	1.10	2.2
62	26	Bangor Punta	571.4	31⅜– 4½	29⅜	4.8	141	6.41	5	1.00	3.4
63	219	Dorchester Gas	562.5	54 – 8½	53	9.0	475	3.83	14	0.20	0.4
64	327	Santa Fe Intl	561.5	71¾–10⅜	69⅞	21.4	1,495	2.98	23	0.72	1.0
65	57	Hospital Corp of Am	560.1	55½– 8⅛	54⅛	30.2	1,633	2.48	22	0.40	0.7

Note: Except as footnoted, price changes are measured from Dec. 31, 1975 to Nov. 19, 1980. For comparison, the five-year change in the Consumer Price Index was 52.7%.

*Not ranked last year. ‡Four-year price change based on Class B stock.

Who's where in the stock market

Rank 80	Rank 79	Company	5-year price change	1976-80 price range	Recent price	Shares outstanding (millions)	Total market value (millions)	Latest 12-month earnings per share	Price/earnings ratio	Indicated annual dividend	Current yield
66	*	Kelly Services	560.0%	36 – 5	33	4.4	$ 146	$3.18	10	$1.00	3.0%
67	94	Sundstrand	559.8	59½– 8½	56½	17.4	981	4.45	13	1.60	2.8
68	42	Harris Corp	544.3	55¾– 8⅜	55⅜	30.4	1,685	2.74	20	0.80	1.4
69	58	Ampex	540.0	34⅛– 4¾	32	11.1	356	2.21	14	0.24	0.8
70	92	U S Home	533.2	32¾– 4⅜	28⅛	14.3	403	3.40	8	0.64	2.3
71	44	NVF	533.1	10 – ¾	4⅞	76.3	372	0.24	20	none	0.0
72	308	Houston Oil & Minerals	527.3	49¼– 7⅜	46	29.3	1,346	2.21	21	0.80	1.7
73	20	Avco	524.3	35 – 4½	28⅞	16.0	462	6.49	4	1.20	4.2
74	351	Freeport Minerals	524.3	70¼– 7⅞	60	31.6	1,893	4.28	14	1.00	1.7
75	46	ConAgra	517.5	18¼– 2¾	17½	11.8	206	1.74	10	0.75	4.3
76	87	Lear Siegler	512.5	39½– 6⅛	36¾	15.5	569	4.30	9	1.24	3.4
77	227	E F Hutton Group	508.6	38⅞– 5½	37¾	12.9	486	5.34	7	0.80	2.1
78	635	SEDCO	503.4	89 –14¾	88	15.8	1,390	2.63	33	0.48	0.5
79	337	NL Industries	499.0	78¾–12⅞	77⅞	33.1	2,574	3.54	22	1.40	1.8
80	33	E-Systems	496.4	53⅜– 9	53⅜	6.8	363	2.15	25	1.00	1.9
81	29	Charter	493.8	50 – 2⅜	23¾	21.5	511	6.47	4	1.00	4.2
82	52	Natl Convenience Strs	491.4	13⅜– 1⅞	11	6.2	69	1.54	7	0.60	5.5
83	147	Thiokol	489.9	37⅞– 6¼	36½	11.4	417	2.94	12	1.00	2.7
84	*	Shaklee	483.9	31⅛– 4⅝	27¼	6.2	169	1.92	14	0.80	2.9
85	319	Central Louisiana Engy	483.4	58¼– 9	57¼	21.4	1,225	3.60	16	1.00	1.7
86	126	Dean Foods	482.6	36¼– 6⅛	36¼	3.0	109	3.82	9	0.96	2.6
87	121	Sun Chemical	480.3	33⅞– 5⅝	33	4.5	150	6.19	5	0.60	1.8
88	145	Fluor	471.2	71 – 9⅞	69½	47.7	3,313	2.62	27	0.80	1.2
89	36	SCOA Industries	467.2	27 – 4⅜	26⅝	7.9	210	3.71	7	1.05	3.9
90	177	Clark Oil & Refining	463.9	26½– 4½	25⅜	14.4	365	6.06	4	1.00	3.9
91	71	General Dynamics	461.5	44¼– 7½	42¼	53.7	2,268	3.69	11	0.72	1.7
92	103	Dynalectron	454.6	17⅛– 2½	15¼	8.4	128	0.68	22	0.08	0.5
93	49	Twentieth Century-Fox	449.2	46½– 6¼	43¼	10.5	455	5.10	8	1.80	4.2
94	290	Schlumberger	449.0	125⅝–20¾	123⅝	190.7	23,578	4.56	27	1.00	0.8
95	107	Signal Companies	446.3	32¼– 5⅛	28	57.6	1,613	2.85	10	0.76	2.7
96	25	Hilton Hotels	445.4	48⅝– 7½	43⅛	26.3	1,134	3.91	11	1.60	3.7
97	82	Gelco	442.3	37 – 6¾	35¼	10.1	356	3.64	10	0.96	2.7
98	348	Engelhard Minerals	441.9	64 –10⅛	60½	68.1	4,119	8.09	7	1.16	1.9
99	100	Iowa Beef Processors	440.0	45⅝– 7⅞	42¾	9.8	421	4.87	9	0.60	1.4
100	75	Centex	434.4	48 – 7⅞	42¾	11.6	497	5.22	8	0.25	0.6
101	*	Gensource	431.2‡‡	62¼– 9¾	61¾	11.6	716	2.77	22	1.00	1.6
102	*	Piedmont Aviation	429.2	20 – 3⅛	15⅞	3.9	61	2.85	6	0.24	1.5
103	102	Cooper Industries	429.0	62 –11½	61½	30.1	1,851	4.09	15	1.08	1.8
103	103	Wyman-Gordon	429.0	42 – 7¾	41	9.1	371	3.19	13	1.20	2.9
105	111	SmithKline	427.1	80 –14⅝	77¾	66.3	5,155	4.43	18	1.92	2.5
106	68	Parker Pen	425.0	26 – 4½	23½	16.9	398	2.33	10	0.44	1.9
107	137	Dover	424.4	59¾–11	59	17.9	1,054	3.91	15	1.04	1.8
108	*	Playboy Enterprises	421.7	32¾– 2⅞	15	9.4	141	1.45	10	0.12	0.8
109	397	Union Oil California	420.3	56½–10¼	53½	173.4	9,279	3.59	15	0.80	1.5
110	*	Republic New York	417.5	35½– 6⅜	32⅛	10.9	349	5.23	6	1.04	3.2
111	187	Meredith	417.1	54 –10¼	53	3.1	167	7.40	7	1.32	2.5
112	78	Petrolane	415.0	52¼– 9⅞	51½	25.8	1,327	2.93	18	0.76	1.5
113	130	Northrop	413.5	61¼–11⅜	59⅜	14.3	846	6.38	9	1.80	3.0
114	316	Standard Oil Ohio	410.0	91½–14½	87½	239.4	20,946	7.31	12	1.80	2.1
115	110	Avnet	406.2	51½–10⅛	51¼	15.4	789	4.70	11	1.00	2.0
116	313	Pacific Resources	404.2	18⅜– 2⅞	14⅞	10.2	152	1.85	8	0.50	3.4
117	429	Shell Oil	404.1	65½–11⅞	61¾	308.8	19,067	4.74	13	1.60	2.6
118	340	Earth Resources	402.4	57 – 9⅜	56	6.5	361	5.07	11	1.50	2.7
119	117	Baldwin-United	394.1	50 – 8½	42	9.0	377	5.19	8	1.40	3.3
120	128	Sigmor	391.3	28½– 4⅜	23½	13.4	315	2.57	9	0.50	2.1
121	164	Pioneer	390.1	62⅛–12	60¾	18.6	1,129	4.51	13	1.76	2.9
122	*	Food Town Stores	389.9	25½– 4½	21½	8.6	185	1.65	13	0.16	0.7
123	*	Milton Bradley	389.6	47½– 9⅝	47⅛	7.3	345	4.87	10	1.20	2.5
124	150	Circle K	386.4	16½– 2⅝	13⅜	9.9	132	1.74	8	0.68	5.1
125	226	Crouse-Hinds	386.0	43¼– 8½	42¼	12.3	518	2.55	17	1.00	2.4
126	86	Super Valu Stores	381.5	35⅞– 6⅛	31	18.2	563	2.78	11	0.80	2.6
127	381	St Louis-San Fran Ry	377.9	117 –23¾	113½	2.7	302	10.10	11	2.50	2.2
128	260	Combustion Engnrng	377.7	53½–10⅞	51¾	32.7	1,691	5.58	9	0.75	1.4
129	180	Alleghany	376.7	35¾– 7½	35¾	9.3	333	4.81	7	1.08	3.0
130	156	Blount	376.1	41 – 7	37½	2.8	105	4.26	9	0.72	1.9

Note: Except as footnoted, price changes are measured from Dec. 31, 1975 to Nov. 19, 1980. For comparison, the five-year change in the Consumer Price Index was 52.7%.
*Not ranked last year. ‡‡Three-year price change.

Rank		Company	5-year price change	1976-80 price range	Recent price	Shares outstanding (millions)	Total market value (millions)	Latest 12-month earnings per share	Price/ earnings ratio	Indicated annual dividend	Current yield
80	79										
131	27	Computer Sciences	371.9%	29¾– 4	18⅞	13.2	$ 249	$1.88	10	none	0.0%
132	251	Perini	371.8	24½– 4⅞	23	3.4	77	1.82	13	$0.40	1.7
133	124	Raytheon	369.0	108¾–22⅜	107⅞	41.5	4,478	6.69	16	2.00	1.9
134	267	GK Technologies	364.6	46⅛– 9½	45⅞	11.7	538	4.52	10	1.50	3.3
135	312	Pennzoil	362.6	61 –12¾	59¾	51.2	3,058	5.86	10	2.00	3.3
136	522	U S Air	357.6	19¼– 3⅝	18⅞	11.9	225	3.98	5	0.12	0.6
137	276	Thriftimart	354.8	37⅜– 5¾	35¼	0.9	31	7.30	5	1.40	4.0
138	220	Rapid-American	351.2	25 – 3	23⅛	5.2	121	2.55	9	0.60	2.6
139	129	Brown-Forman Dist	350.2	55 –10½	53	12.6	667	4.76	11	1.36	2.6
140	67	Johnson Controls	350.0	34½– 6¼	29¼	13.0	380	2.41	12	1.30	4.4
141	374	Browning-Ferris Inds	348.9	27¼– 5¾	26⅜	17.0	448	1.80	15	0.84	3.2
142	115	Washington Post	346.5	26¾– 5½	24	14.0	335	2.31	10	0.44	1.8
143	47	Evans Products	341.9	25⅞– 5	23¾	12.3	292	3.38	7	1.60	6.7
144	320	Martin Marietta	341.5	72⅞–18⅜	71¾	24.9	1,783	7.31	10	2.52	3.5
145	118	PennCorp Financial	338.5	12¼– 1½	7⅛	18.7	133	1.36	5	0.16	2.2
146	188	Carpenter Technology	336.1	53 –10¾	46⅞	8.6	402	4.76	10	2.00	4.3
147	31	Levi Strauss	336.0	44 – 9½	43⅞	40.8	1,792	5.18	8	1.50	3.4
148	455	Union Pacific	335.4	88 –19	84½	95.8	8,097	4.18	20	1.60	1.9
149	521	Cities Service	334.5	57⅞–12⅞	56⅛	83.3	4,674	5.72	10	1.60	2.9
150	*	Tyson Foods	331.9	17 – 3	15¼	3.9	59	0.30	51	0.16	1.0
151	5	Farm House Foods	331.0	6¾– 1½	6¾	4.5	31	0.67	10	none	0.0
152	70	Wal-Mart Stores	330.4	28½– 5¾	28¼	32.3	912	1.58	18	0.20	0.7
153	134	Mattel	330.0	16¾– 4¾	16⅛	15.9	257	1.38	12	0.30	1.9
154	264	Bache Group	328.4	19 – 4⅜	18½	9.5	176	3.59	5	0.73	3.9
155	55	Lockheed	327.9	48¼– 6⅝	32⅝	11.8	386	0.67	49	none	0.0
156	293	Shopwell	327.3	7 – 1⅜	5⅞	1.4	8	0.83	7	none	0.0
157	212	Paine Webber	326.8	22¾– 5⅛	21⅞	7.5	164	0.87	25	0.44	2.0
158	305	Missouri Pacific	326.1	99 –22⅝	98	15.5	1,520	11.18	9	3.60	3.7
159	249	Bausch & Lomb	319.8	70 –12½	66⅛	11.8	781	4.35	15	1.28	1.9
160	21	Morse Shoe	319.2	29 – 5¾	23⅞	5.2	124	2.88	8	0.80	3.4
161	*	Big V Supermarkets	313.9	10¼– 2	8⅛	2.5	21	1.83	4	0.30	3.7
162	281	Norton	313.7	53¾–12⅝	52¾	16.5	868	5.04	10	1.80	3.4
163	74	American Standard	311.9	37⅜– 8⅜	34½	27.5	950	5.44	6	2.20	6.4
164	127	Control Data	311.4	77⅝–17⅝	72½	18.5	1,338	7.82	9	0.60	0.8
165	751	Burlington Northern	310.2	68 –15⅞	65⅝	32.0	2,102	7.53	9	1.25	1.9
166	194	Smith International	308.6	60¼–13¾	59	20.4	1,202	3.35	18	0.64	1.1
167	64	Pneumo	306.4	36¾– 7⅞	31⅞	4.5	144	2.57	12	0.80	2.5
168	73	Caldor	305.1	30⅞– 5⅞	24¾	8.4	208	2.76	9	0.60	2.4
169	178	Dexter	303.1	35 – 8⅛	32¼	9.2	296	2.79	12	1.00	3.1
170	530	Standard Oil Indiana	302.3	88⅛–20½	85¾	292.2	25,053	6.39	13	2.20	2.6
171	163	Bergen Brunswig	302.1	21⅛– 3½	19⅜	3.7	72	1.61	12	0.32	1.7
172	288	Baker International	295.9	48⅞–10	48⅜	66.0	3,194	2.11	23	0.40	0.8
173	*	Frontier Airlines	295.3	18¾– 4⅝	18	7.7	139	2.24	8	0.20	1.1
174	97	Republic Finl Svcs	295.0	25⅝– 5	19¾	7.0	139	3.02	7	1.00	5.1
175	*	Hardee's Food Systems	294.4	26¾– 6⅝	26⅝	5.4	143	3.09	9	0.32	1.2
176	7	Savin	292.4	25 – 3⅜	13	6.2	80	3.28	4	0.70	5.4
177	484	Sun Company	291.7	57½–13½	53⅜	120.7	6,442	7.57	7	1.80	3.4
178	284	Marathon Oil	290.3	82½–19⅞	80¾	60.6	4,896	6.25	13	2.00	2.5
179	182	Loews	286.0	92½–21	82½	12.0	994	18.81	4	1.20	1.5
180	175	Fisher Scientific	284.0	34¾– 7⅞	30	5.1	154	3.11	10	0.52	1.7
181	210	Outlet	283.6	33¾– 8⅝	33¼	2.5	84	0.13	–	0.60	1.8
182	90	Ryder System	280.3	31½– 8⅛	31¼	16.6	520	3.23	10	1.08	3.5
183	144	Hyster	278.5	48⅜–11½	44	6.0	265	7.62	6	3.25	7.4
184	41	Intel	278.2	50½–10	48¾	42.1	2,053	2.21	22	none	0.0
185	*	Acme-Cleveland	277.8	35⅝– 8⅛	29¾	4.3	127	4.02	7	1.40	4.7
186	562	ASARCO	277.1	58½–13	49½	29.6	1,465	9.12	5	1.85	3.7
187	554	Alcan Aluminium	276.8	38⅞– 9¾	36½	80.9	2,953	6.62	6	1.40	3.8
188	283	United States Filter	275.4	32⅝– 8⅜	32⅜	8.0	258	2.57	13	0.44	1.4
189	408	Kaneb Services	275.1	38¼– 9⅝	37¾	21.8	822	3.13	12	0.90	2.4
190	170	Northwest Energy	273.9	32⅝– 8¼	31	15.9	492	3.17	10	1.00	3.2
191	*	James River Corp Va	272.5	26¼– 5	18⅝	5.2	98	2.80	7	0.48	2.6
192	69	Interpublic Group	270.9	37½– 9	34	4.5	153	4.40	8	1.60	4.7
193	291	Washington National	270.2	41¼–10⅝	38⅞	6.7	260	4.86	8	1.50	3.9
194	59	United Refining	266.9	37⅞– 6⅞	25⅜	2.4	61	4.21	6	1.00	3.9
195	*	Golden West Finl	265.3	14 – 3⅞	14	21.1	296	1.78	8	0.38	2.7

Note: Except as footnoted, price changes are measured from Dec. 31, 1975 to Nov. 19, 1980. For comparison, the five-year change in the Consumer Price Index was 52.7%.

*Not ranked last year.

Who's where in the stock market

Rank		Company	5-year price change	1976-80 price range	Recent price	Shares outstanding (millions)	Total market value (millions)	Latest 12-month earnings per share	Price/earnings ratio	Indicated annual dividend	Current yield
80	79										
196	670	**ENSERCH**	**264.0%**	58⅞–14⅜	57⅝	33.2	**$1,914**	$3.90	15	$1.72	3.0%
197	184	**City Investing**	**260.0**	30¼–7	24¾	24.5	**607**	4.23	6	1.50	6.1
197	152	**Kemper**	**260.0**	36½–8⅞	31½	12.6	**398**	6.85	5	1.40	4.4
199	476	**Rockwell Intl**	**257.2**	44–11¾	41¾	74.7	**3,118**	3.77	11	1.40	3.4
200	247	**Universal Leaf**	**255.7**	34¼–9¼	33⅛	8.8	**292**	3.25	10	1.32	4.0
201	280	**Ark Louisiana Gas**	**253.1**	39¾–10⅞	39½	25.1	**993**	3.02	13	1.40	3.5
202	120	**Wallace-Murray**	**253.0**	32⅜–8¾	30¾	6.7	**205**	4.63	7	1.60	5.2
203	518	**Panhandle Eastern**	**252.6**	52¼–14¾	51⅛	37.5	**1,917**	4.42	12	1.74	3.4
204	153	**Business Men's Assur**	**251.5**	36⅜–8¾	29⅞	6.0	**178**	4.75	6	1.44	4.8
205	109	**Ruddick**	**250.0**	11⅛–3	10½	2.3	**24**	2.00	5	0.58	5.5
206	350	**Standard Oil Calif**	**248.9**	106–29⅛	102½	171.0	**17,532**	13.50	8	4.00	3.9
207	1	**Best Products**	**248.1**	34¼–5¼	19	9.7	**184**	2.93	6	0.24	1.3
208	2	**Service Merchandise**	**245.9**	23½–3½	12¼	12.7	**155**	1.38	9	0.14	1.1
209	513	**Peabody Intl**	**245.3**	45–12⅝	44	10.4	**458**	2.35	19	0.32	0.7
210	336	**Gifford-Hill**	**245.2**	23–6	21	7.3	**154**	2.04	10	0.92	4.4
211	88	**Vornado**	**243.6**	29¾–4⅝	16¾	5.3	**89**	–0.16	def	none	0.0
212	304	**Mobil**	**240.7**	89½–23⅞	80½	212.5	**17,102**	13.14	6	4.00	5.0
213	278	**Sysco**	**239.1**	27⅜–5¾	26¾	9.4	**251**	2.31	12	0.40	1.5
214	235	**Peoples Drug Stores**	**237.5**	17⅜–5⅛	16⅞	3.8	**64**	2.17	8	0.28	1.7
214	198	**Zayre**	**237.5**	20⅝–5¼	20¼	5.1	**104**	3.35	6	0.32	1.6
216	258	**Flowers Industries**	**232.1**	16⅞–4⅜	15⅛	6.0	**91**	1.72	9	0.58	3.8
217	622	**Halliburton**	**231.3**	81¾–22¼	80¾	117.7	**9,501**	3.90	21	1.20	1.5
218	169	**Amsted Industries**	**227.2**	48½–14¼	46⅝	10.8	**504**	6.60	7	2.48	5.3
219	467	**Perkin-Elmer**	**227.0**	71¾–16½	66⅝	21.0	**1,396**	3.37	20	0.88	1.3
220	213	**Ashland Oil**	**226.9**	45½–12⅞	42½	26.4	**1,124**	6.80	6	2.40	5.6
221	217	**Southwest Forest Inds**	**226.5**	24–6⅛	20	8.0	**161**	3.21	6	0.50	2.5
221	298	**Walgreen**	**226.5**	41⅛–12⅛	40	7.0	**278**	5.12	8	1.76	4.4
223	134	**Fuqua Industries**	**225.0**	22[illegible]–4½	14⅝	12.8	**188**	4.79	3	0.50	3.4
224	392	**Ogden**	**224.8**	32⅞–10⅛	32¾	12.5	**409**	4.52	7	1.60	4.9
225	321	**Raymond Intl**	**224.2**	34⅜–10⅛	33½	5.8	**196**	0.92	36	1.00	3.0
226	477	**Federal-Mogul**	**224.0**	21⅞–6¼	20¼	12.5	**252**	2.86	7	1.20	5.9
227	199	**Dorsey**	**223.5**	22½–6⅜	20⅝	3.0	**61**	2.95	7	0.80	3.9
228	76	**Entex**	**223.4**	19⅛–4¼	14⅞	21.1	**313**	1.64	9	0.88	5.9
229	154	**McGraw-Hill**	**222.1**	42¼–12¾	41⅞	24.7	**1,035**	3.36	12	1.52	3.6
230	380	**Dresser Industries**	**221.6**	52⅞–15⅝	50¾	78.0	**3,959**	3.18	16	0.60	1.2
231	114	**Macmillan**	**220.0**	21⅜–4¼	14	12.6	**176**	–3.49	def	0.82	5.9
232	584	**Atlantic Richfield**	**217.6**	73⅝–20⅜	71¾	234.2	**16,801**	6.43	11	1.90	2.6
233	275	**Wheelabrator-Frye**	**216.0**	61–18	59¼	10.5	**620**	4.23	14	1.40	2.4
234	269	**General Signal**	**215.3**	54¼–17⅛	54	26.3	**1,422**	3.88	14	1.48	2.7
235	490	**Hughes Tool**	**213.6**	93¼–19⅛	89⅝	25.7	**2,304**	4.87	18	1.12	1.2
236	394	**Insilco**	**213.4**	21¼–6⅝	20⅞	12.9	**269**	2.32	9	0.94	4.5
237	168	**McDonough**	**211.1**	44¼–13¾	42	4.0	**168**	4.15	10	1.40	3.3
238	72	**Beckman Instruments**	**209.9**	37–10¾	36⅛	20.2	**731**	1.79	20	0.36	1.0
239	565	**Santa Fe Industries**	**209.1**	95–29¼	93⅞	29.0	**2,726**	9.50	10	3.00	3.2
240	119	**CNA Financial**	**208.3**	19⅝–5⅜	18½	48.5	**897**	3.60	5	none	0.0
241	376	**Foxboro**	**208.2**	59¼–18⅜	56¼	8.3	**466**	3.32	17	1.30	2.3
242	*	**Keystone Foods**	**207.4**	20–3⅞	13⅛	2.8	**37**	1.46	9	0.20	1.5
243	159	**NCR**	**207.4**	81½–23⅜	73	26.4	**1,925**	8.80	8	2.00	2.7
244	113	**Supermarkets General**	**206.8**	19¾–5⅛	16⅞	8.2	**138**	2.77	6	0.54	3.2
245	414	**Earle M Jorgensen**	**206.7**	44¼–13⅞	42¾	3.3	**139**	6.24	7	1.60	3.7
246	256	**Idle Wild Foods**	**205.0**	27¾–3	15¼	1.8	**27**	3.58	4	0.80	5.2
247	396	**So Natural Resources**	**202.6**	74¼–23¼	73	20.4	**1,487**	6.42	11	1.85	2.5
248	85	**Toro**	**202.4**	29⅝–5¼	15⅞	5.5	**88**	–0.96	def	0.88	5.5
249	81	**Tektronix**	**201.9**	70¼–22⅛	67¾	18.4	**1,249**	4.56	15	0.92	1.4
250	246	**Barnes Group**	**201.7**	25⅞–7⅜	22⅜	6.9	**155**	3.48	6	1.00	4.5
251	208	**Seaboard Allied Milling**	**200.0**	22½–6½	19½	1.5	**29**	3.60	5	0.50	2.6
251	243	**United Brands**	**200.0**	16¾–5⅛	15¾	11.0	**174**	2.79	6	0.50	3.2
253	201	**Honeywell**	**198.5**	102⅜–32¾	99⅝	22.3	**2,220**	9.77	10	3.00	3.0
254	165	**Ametek**	**198.1**	31½–9⅝	28⅞	10.8	**311**	2.00	14	1.00	3.5
255	224	**Ex-Cell-O**	**197.4**	46⅜–14⅛	42	10.3	**431**	4.73	9	2.00	4.8
256	466	**Texas Eastern**	**197.0**	86½–28⅜	85¾	25.2	**2,162**	8.22	10	3.20	3.7
257	349	**Turner Construction**	**195.3**	24⅞–8¼	23⅝	2.0	**48**	3.16	7	1.28	5.4
258	160	**Capital Cities Commun**	**194.4**	72–21⅛	62¾	12.7	**800**	5.[illegible]	12	0.20	0.3
259	*	**Gibraltar Financial**	**191.1**	16⅝–3⅛	9⅛	14.0	**127**	–[illegible]2	def	0.60	6.6
260	300	**Vulcan Materials**	**191.0**	47½–15⅜	44⅜	11.4	**507**	5.86	8	2.00	4.5

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*Not ranked last year. def: deficit.

Who's where in the stock market

Rank 80	Rank 79	Company	5-year price change	1976-80 price range	Recent price	Shares outstanding (millions)	Total market value (millions)	Latest 12-month earnings per share	Price/ earnings ratio	Indicated annual dividend	Current yield
261	207	McDonnell Douglas	190.9%	52⅞–14¾	44	38.2	$1,681	$3.81	12	$0.90	2.0%
262	215	PACCAR	190.7	74½–24¼	70½	8.2	581	11.81	6	4.00	5.7
263	403	Texas Gas Transmn	190.4	44 –14½	41¾	20.5	858	4.32	10	1.64	3.9
264	98	Allis-Chalmers	189.6	38⅝–11⅞	34¾	12.4	432	4.22	8	2.00	5.8
265	333	Nationwide	187.3	20¾– 7	19¾	10.3	203	3.78	5	0.66	3.3
266	330	New York Times	187.2	38 –11⅝	33¾	12.0	404	3.45	10	1.00	3.0
267	116	Tyler	187.1	19¼– 5⅛	14⅝	9.6	140	1.96	7	0.50	3.4
268	*	Republic Airlines	184.2	11⅞– 2⅜	6¾	19.6	132	–1.36	def	0.20	3.0
269	293	Imperial Corp of Am	184.2	35 –10¼	29⅛	14.2	413	3.58	8	1.20	4.1
270	541	Dean Witter Reynolds	183.5	23 – 8	22½	10.0	224	3.56	6	0.80	3.6
271	297	Trans World	183.3	30⅝– 7½	21¼	16.1	342	–1.94	def	none	0.0
272	470	Commercial Metals	181.9	39 – 6⅝	28¼	2.9	81	6.20	5	0.60	2.1
273	581	Raychem	180.8	88 –14⅜	87½	8.7	765	4.04	22	0.44	0.5
274	292	Maryland Cup	180.6	32⅜–11	30⅞	6.7	207	3.89	8	0.64	2.1
275	517	Oklahoma Natural Gas	176.3	44⅞–15½	43¾	10.5	458	3.82	11	2.00	4.6
276	705	Rohr Industries	175.6	20 – 4	14⅛	5.2	73	0.14	–	none	0.0
277	*	Electronic Data Syst	171.7	37½–11⅞	33⅜	14.1	473	2.24	15	1.12	3.3
278	314	Fred Meyer	171.5	39 –13⅜	36	6.9	248	2.78	13	0.66	1.8
279	141	Midland-Ross	170.8	30½– 9	24⅜	11.8	288	3.73	7	1.40	5.7
280	176	Consolidated Papers	169.5	36½–11⅝	32	10.7	343	4.89	7	2.00	6.3
281	310	Central Steel & Wire	169.2	250 –91	245	0.3	82	27.63	9	13.25	5.4
282	183	Moore McCormack Res	168.5	58 –19½	55½	5.7	317	8.20	7	1.28	2.3
283	143	Cook United	168.0	10⅛– 2⅛	5⅝	5.9	33	0.71	8	0.15	2.7
284	346	Godfrey	167.6	17 – 5¾	15	1.6	24	2.11	7	0.72	4.8
285	245	Athlone Industries	167.6	25¾– 8¾	23¾	2.8	67	1.01	24	1.50	6.3
286	166	American General	166.7	41 –12⅛	36	25.0	900	6.34	6	1.00	2.8
287	229	Gulf United	165.6	27¼– 7½	20¼	24.2	491	2.84	7	1.24	6.1
288	234	Di Giorgio	162.5	15⅛– 4⅛	10½	6.1	64	1.28	8	0.56	5.3
289	214	Longview Fibre	162.1	38 –12⅝	32½	11.5	374	1.56	21	1.20	3.7
290	315	Colt Industries	162.0	54 –19	50	12.8	641	7.84	6	2.90	5.8
291	649	Merrill Lynch	161.2	39¼–13¼	37⅞	37.1	1,404	4.96	8	1.12	3.0
292	192	Cessna Aircraft	160.8	29⅜– 9½	25⅞	18.7	483	1.51	17	0.40	1.5
293	95	Pay Less Drug NW	160.4	28 –10½	27½	4.4	121	2.97	9	0.68	2.5
294	241	Waldbaum	158.9	20¾– 6¼	16¾	2.5	42	3.37	5	none	0.0
295	431	United Technologies	158.2	63⅛–23⅛	59⅞	42.8	2,560	7.03	9	2.20	3.7
296	535	InterNorth	157.6	45¼–16⅛	43⅝	44.6	1,944	4.99	9	1.80	4.1
297	[illegible]75	Getty Oil	157.1	108¼–33	104¾	82.2	8,606	10.25	10	2.00	1.9
298	334	Curtiss-Wright	156.1	31⅛–10	26¼	8.3	217	4.41	6	1.00	3.8
299	80	Del E Webb	155.6	38 – 3⅜	8⅝	9.5	82	1.04	8	0.20	2.3
300	*	Heck's	155.4	19 – 6⅛	16⅛	6.5	105	2.45	7	0.30	1.9
301	690	Nashua	155.1	38 –10¾	28⅜	4.7	132	4.50	6	1.50	5.3
302	808	Pioneer Hi-Bred Intl	155.0	40½–15½	40⅜	15.9	644	3.59	11	0.96	2.4
303	395	Lone Star Industries	154.5	38⅜–14	35⅝	10.7	381	5.44	7	1.65	4.6
304	277	Arcata	152.5	30½– 9¾	25¼	6.6	167	3.69	7	1.28	5.1
305	480	Dravo	152.0	49⅝–19	48½	8.0	389	2.88	17	1.36	2.8
306	440	Occidental Petroleum	151.8	36¾–13½	35¼	77.1	2,716	9.64	4	2.20	6.2
307	572	Allegheny Ludlum Inds	151.4	44⅝–13¾	44	7.2	315	7.44	6	1.40	3.2
308	328	A-T-O	150.9	18⅞– 7¼	17¼	5.9	101	3.12	6	0.60	3.5
309	385	Big Three Industries	150.9	72½–26	67½	21.1	1,426	3.78	18	1.00	1.5
310	528	Louisiana Land	150.3	63¾–19½	56	38.0	2,127	4.64	12	1.80	3.2
311	189	Norris Industries	148.9	33½–11⅛	27⅜	9.8	267	2.45	11	1.60	5.8
312	254	Abbott Laboratories	148.5	55 –18⅞	51¼	60.3	3,090	3.34	15	1.20	2.3
313	332	Trane	147.7	27½– 9⅞	24	10.2	244	3.64	7	1.04	4.3
314	125	Allen Group	146.8	20½– 7¾	19¼	4.2	81	2.18	9	1.00	5.2
315	191	R H Macy	146.8	50½–17¾	44⅝	16.0	712	6.48	7	1.50	3.4
316	142	Alco Standard	146.6	37¼–14⅛	35¾	9.3	332	5.25	7	1.76	4.9
317	527	Marsh Supermarkets	146.5	7¼– 2⅜	6⅝	3.2	21	1.31	5	0.36	5.4
318	84	General Cinema	146.3	25⅛– 8½	23¼	11.0	255	2.31	10	0.80	3.4
319	172	Dennison Mfg	145.9	21¾– 7¼	17¾	9.1	161	2.40	7	1.16	6.5
320	417	Pitney Bowes	145.7	40⅜–13½	35⅝	14.8	526	4.24	8	1.60	4.5
321	306	Western Bancorp	145.2	35 –11⅞	29⅝	37.5	1,111	5.31	6	1.84	6.2
322	343	Louisiana-Pacific	142.4	29½–10½	26⅜	29.7	784	2.36	11	0.72	2.7
323	363	Chromalloy American	142.1	26⅛– 9¼	23	13.8	317	2.87	8	1.10	4.8
324	360	Houston Natural Gas	142.1	59½–19¾	59	39.9	2,354	5.06	12	1.30	2.2
325	205	Kidde	141.7	45 –18⅛	43½	9.5	411	8.50	5	2.00	4.6

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Who's where in the stock market

Rank 80	Rank 79	Company	5-year price change	1976-80 price range	Recent price	Shares outstanding (millions)	Total market value (millions)	Latest 12-month earnings per share	Price/ earnings ratio	Indicated annual dividend	Current yield
326	600	**Westinghouse Electric**	140.2%	32⅜–13	32⅛	84.8	$2,724	$4.70	7	$1.40	4.4%
327	197	**Stanley Works**	139.7	23 – 7	17⅜	25.5	444	1.83	9	0.68	3.9
328	330	**Copeland**	139.5	25⅞–10¾	25¾	5.6	145	3.41	8	1.00	3.9
329	626	**Cyclops**	138.8	29⅞–10½	24⅞	3.2	79	–0.04	def	1.35	5.4
330	638	**W R Grace**	138.3	58¾–23⅝	58⅜	44.5	2,600	6.07	10	2.30	3.9
331	668	**Newmont Mining**	137.0	60⅞–15½	54½	25.6	1,393	8.83	6	2.05	3.8
332	539	**H K Porter**	135.8	76 –30	70¾	1.2	82	14.74	5	3.20	4.5
333	450	**Witco Chemical**	135.7	33¾–13⅝	33	8.9	295	4.42	7	1.60	4.8
334	384	**Kroger**	135.6	27 – 8⅞	21½	27.7	595	3.35	6	1.52	7.1
335	151	**Amer Broadcasting**	135.0	47⅝–13¼	30¾	28.0	861	5.41	6	1.60	5.2
336	378	**North American Coal**	134.0	49¼–14⅞	38¾	3.3	129	3.81	10	0.72	1.9
337	257	**Parker-Hannifin**	133.5	34¾–14½	34¼	14.9	509	3.77	9	1.32	3.9
338	171	**Varian Associates**	133.3	35¼–11¾	28	7.8	217	2.77	10	0.52	1.9
339	453	**Conoco**	133.3	73 –24½	71	107.8	7,652	9.06	8	2.20	3.1
340	216	**Federal Paper Board**	132.8	35 –12	28⅜	7.2	206	3.88	7	1.00	3.5
341	185	**Zurn Industries**	132.4	25⅜– 9⅛	21½	5.5	118	2.92	7	1.04	4.8
342	361	**Foremost-McKesson**	132.1	32¾–13½	32½	15.0	489	3.90	8	2.00	6.2
343	296	**Crum & Forster**	130.9	35½–11¾	28	27.9	780	5.54	5	1.44	5.1
344	435	**Stanadyne**	130.8	38¾–13	30	4.8	144	2.97	10	1.52	5.1
345	932	**CBI Industries**	130.5	69 –21	68	17.8	1,213	3.41	20	1.45	2.1
346	497	**Sperry & Hutchinson**	130.0	23½–10	23	9.1	209	2.02	11	1.00	4.3
347	231	**Times Mirror**	128.4	45⅝–18¼	42¼	34.1	1,440	3.93	11	1.72	4.1
348	737	**Intl Minerals & Chem**	128.0	57 –21⅞	57	27.0	1,539	5.76	10	2.32	4.1
349	494	**Gulf Oil**	127.4	54½–20⅜	46⅝	195.2	9,100	7.53	6	2.50	5.4
350	167	**Federal Co**	127.3	25⅛–11⅛	25	8.1	203	1.55	16	1.30	5.2
351	496	**Aetna Life & Casualty**	127.0	40⅛–15	35¾	80.6	2,880	6.35	6	2.12	5.9
352	367	**Dow Jones**	126.9	59¼–25	59	15.5	916	3.42	17	1.60	2.7
353	263	**Transamerica**	126.9	20⅜– 8⅛	19	65.3	1,241	3.64	5	1.28	6.7
354	500	**Southern Union**	126.1	34¼–12⅜	33¼	10.2	337	3.66	9	1.40	4.2
355	623	**Peoples Energy**	125.6	62⅞–26⅛	59	28.7	1,694	5.01	12	3.08	5.2
356	543	**DeSoto**	125.5	20¼– 5¾	13¼	5.5	73	2.36	6	1.00	7.5
357	876	**Seagram**	124.6	61⅞–19¼	59¼	35.1	2,078	4.12	14	1.40	2.4
358	326	**SCM**	124.2	32¼–11½	25½	9.6	244	5.86	4	1.80	7.1
359	365	**Weis Markets**	124.0	28¾–12¾	28¾	9.1	262	3.35	9	0.88	3.1
360	389	**Reeves Brothers**	124.0	35⅛–15¾	35	2.3	80	6.74	5	2.20	6.3
361	325	**Mead**	124.0	33⅞–12	27¼	26.2	713	5.10	5	1.90	7.0
362	398	**Dillingham**	123.4	19¾– 7	17⅞	12.8	229	2.63	7	0.70	3.9
362	222	**Frederick & Herrud**	123.4	9¾– 2⅝	6½	3.5	23	0.98	7	0.24	3.7
364	*	**Marley**	122.8	35¾–14¼	31¾	5.2	164	3.60	9	1.00	3.1
365	158	**Dan River**	122.4	20 – 7	16⅛	5.7	91	3.64	4	1.12	6.9
366	*	**Mercantile Texas**	122.4	31¼–13⅜	29½	10.6	312	4.30	7	1.32	4.5
367	338	**A E Staley Mfg**	121.6	42½–11	38½	21.2	814	3.51	11	0.80	2.1
368	265	**Suburban Propane Gas**	121.6	42⅝–14⅝	32⅛	4.6	148	5.01	6	1.44	4.5
369	459	**National Can**	121.4	25⅝–10½	23¼	8.8	204	5.37	4	0.88	3.8
370	272	**Tecumseh Products**	121.1	72½–29½	63	5.5	345	7.78	8	3.20	5.1
371	538	**Grumman**	120.9	32½–13¼	29⅞	9.8	293	2.23	13	1.40	4.7
372	577	**Ideal Basic Inds**	120.8	30½–13¼	29¼	13.3	389	5.01	6	1.70	5.8
373	209	**Northwest Industries**	120.7	39¼–16⅛	36	29.9	1,077	4.83	7	2.28	6.3
374	746	**Armco**	117.8	40⅝–14⅞	39⅜	45.3	1,783	5.12	8	1.64	4.2
375	553	**Consol Natural Gas**	117.4	54⅜–24½	53	19.7	1,046	5.57	10	3.24	6.1
376	409	**Crane**	117.4	4[illegible]–21¼	47⅛	10.1	477	4.34	11	1.60	3.4
377	356	**Marriott**	117.3	37 – 8⅞	33⅞	24.9	842	2.47	14	0.24	0.7
378	359	**Borg-Warner**	116.9	45⅜–19⅞	43⅜	20.9	905	6.05	7	2.48	5.7
379	905	**Texasgulf**	116.5	63¼–15⅛	60⅝	32.9	1,994	8.64	7	1.60	2.6
380	*	**Howell**	116.4	33 – 4⅜	[illegible]	5.9	129	3.79	6	0.40	1.8
381	323	**National Svc Inds**	115.8	23¼– 9⅝	20½	12.8	262	3.54	6	1.24	6.0
382	368	**TRW**	114.8	58⅞–26¾	58	31.5	1,829	6.26	9	2.20	3.8
383	366	**Security Pacific**	114.6	34¾–13⅞	29½	27.7	817	6.24	5	2.00	6.8
384	422	**First City Bancorp**	114.4	48½–22	46⅝	14.3	668	6.21	8	1.84	3.9
385	369	**Morton-Norwich**	113.9	34⅞–13⅜	28⅞	13.5	389	3.36	9	1.52	5.3
386	433	**City Stores**	113.3	5⅝– 1⅝	4	3.3	13	–14.06	def	none	0.0
386	230	**U S Industries**	113.3	10½– 3⅝	8	23.8	190	0.97	8	0.76	9.5
388	138	**MCA**	112.9	57¾–19⅜	52⅜	23.7	1,241	6.08	9	1.50	2.9
389	425	**Phillips Petroleum**	112.4	61⅛–24¾	57⅝	152.2	8,770	7.10	8	1.80	3.1
390	240	**Stone Container**	112.3	29⅞–10	23	5.1	117	4.09	6	0.72	3.1

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Who's where in the stock market

Rank 80	Rank 79	Company	5-year price change	1976-80 price range	Recent price	Shares outstanding (millions)	Total market value (millions)	Latest 12-month earnings per share	Price/ earnings ratio	Indicated annual dividend	Current yield
391	545	Eastern Air Lines	111.8%	15⅝– 4⅛	9	24.7	$ 223	$–1.01	def	none	0.0%
392	162	Cone Mills	111.7	43½–18⅞	40⅝	5.8	234	9.06	4	$2.00	4.9
393	861	McDermott	111.0	41¾–15⅞	40⅞	36.4	1,490	1.92	21	1.40	3.4
394	*	Old Republic Intl	111.0	24⅜– 3½	15¾	9.4	148	3.77	4	0.92	5.8
395	108	Rite Aid	110.7	33¾–13½	31⅞	10.5	335	3.11	10	0.75	2.4
396	769	Alexander & Baldwin	109.9	41¼–12⅜	34⅝	9.1	315	6.92	5	1.60	4.6
397	196	Ramada Inns	109.7	17 – 3⅛	8⅛	27.0	219	0.49	17	0.12	1.5
398	525	El Paso	109.6	30½–11¾	24⅝	47.3	1,166	1.64	15	1.48	6.0
399	362	Alexander's	109.4	16⅜– 5⅛	13⅞	4.5	63	0.23	60	none	0.0
400	505	Gt Western Financial	109.2	27⅜– 9⅛	19	22.4	426	2.26	8	0.88	4.6
401	200	Carson Pirie Scott	109.1	25⅛–10	22⅛	3.5	77	3.04	7	1.20	5.4
402	190	Digital Equipment	108.8	98¾–36⅝	95¼	45.6	4,340	5.60	17	none	0.0
403	235	Harsco	108.2	36⅞–16⅞	35¼	10.1	355	4.88	7	2.10	6.0
404	775	Amfac	108.1	35⅞–13	32	13.6	435	4.63	7	1.32	4.1
405	161	Melville	107.6	41⅞–17⅜	37⅜	25.4	951	4.22	9	1.60	4.3
406	240	Saxon Industries	106.7	9¾– 3¾	7¾	6.9	54	1.04	7	0.10	1.3
407	454	Rose's Stores	106.2	17¾– 7½	16¾	2.1	36	4.09	4	0.80	4.8
408	457	H H Robertson	106.0	44 –21	43	2.1	92	7.79	6	2.20	5.1
409	693	AMP	105.7	54½–24	54½	36.0	1,962	3.62	15	1.00	1.8
410	485	Dun & Bradstreet	105.3	59 –24⅜	58½	27.9	1,633	3.56	16	2.04	3.5
411	261	H F Ahmanson	105.1	28¼– 9⅝	20	23.0	459	2.82	7	1.20	6.0
412	848	Norfolk & Western Ry	104.9	46⅜–20¾	43⅝	31.3	1,365	6.64	7	2.20	5.0
413	388	U S Fidelity & Gty	104.7	46½–19¾	41¼	27.9	1,152	8.90	5	2.80	6.8
414	309	Fort Howard Paper	104.3	59½–27¼	59	13.5	795	4.94	12	1.48	2.5
415	544	Bell & Howell	103.1	34⅜–13⅞	33	5.6	184	3.92	8	0.96	2.9
416	782	Deluxe Check Printers	102.9	52⅜–20¾	52¼	11.4	596	3.72	14	1.56	3.0
417	218	Data General	102.3	87¾–34	75⅝	10.2	772	5.20	15	none	0.0
418	399	U S Bancorp	102.0	27⅞–11⅞	23⅞	14.3	341	3.88	6	1.00	4.2
419	363	Amer Hoist & Derrick	101.9	26⅝–12	26	5.7	149	3.59	7	1.12	4.3
420	573	St Joe Minerals	101.1	37⅝–10⅞	34¾	45.1	1,563	2.11	16	0.90	2.6
421	767	Warnaco	100.9	17¾– 5¼	16½	3.9	65	3.58	5	0.80	4.8
422	510	Hewlett-Packard	100.5	97 –30⅞	94¾	60.0	5,685	4.47	21	0.40	0.4
423	423	Gt Northern Nekoosa	100.0	44¼–21⅛	42¼	16.0	676	6.19	7	1.80	4.3
423	239	Knight-Ridder News	100.0	32⅛–14⅜	29¼	31.9	934	2.72	11	0.80	2.7
423	*	Seaway Food Town	100.0	12¾– 5⅛	12	1.6	20	2.78	4	0.72	6.0
426	478	American Brands	99.4	88⅛–38⅛	77	27.2	2,093	14.31	5	6.20	8.1
427	441	United States Gypsum	98.5	37⅞–16¾	33	16.1	530	5.69	6	2.40	7.3
428	446	Bemis	98.2	30½–13⅜	27¼	3.6	98	3.12	9	1.60	5.9
429	516	Wickes Companies	97.7	19½– 8½	16¾	13.8	231	1.10	15	1.04	6.2
430	472	Ethyl	96.7	36½–14¾	29½	19.2	566	4.35	7	1.50	5.1
431	460	George A Hormel	95.8	20 – 8½	17⅜	9.6	167	3.84	5	0.92	5.3
432	463	National Gypsum	95.7	26 –11⅝	23	16.6	381	3.56	6	1.48	6.4
433	597	Exxon	95.5	88½–42⅜	86¾	434.8	37,719	12.99	7	6.00	6.9
434	753	Texaco	95.2	47⅛–22⅛	45⅝	269.2	12,281	8.42	5	2.60	5.7
435	354	Leaseway Transportation	94.6	34⅜–15½	34	11.9	404	3.67	9	1.40	4.1
436	836	American Petrofina	94.1	71 –22⅝	61⅝	10.8	665	9.54	6	3.20	5.2
437	*	Alexander & Alexander	93.6	36¾–14⅜	30	18.3	548	3.07	10	1.64	5.5
438	442	IC Industries	93.1	33¾–16⅛	31⅝	16.1	509	5.53	6	2.00	6.3
439	406	Dibrell Brothers	92.9	19½– 9⅜	18	1.3	24	2.76	7	1.12	6.2
440	758	Motorola	92.7	80¾–33⅝	79½	31.2	2,482	5.55	14	1.60	2.0
441	289	Revco D S	92.6	35¾–15¼	32½	13.6	441	2.98	11	1.00	3.1
442	936	Trans Union	92.4	58¼–27¾	56¾	12.5	709	5.38	11	2.60	4.6
443	621	Fleming Companies	90.8	26 –13¼	26	6.3	165	3.08	8	1.12	4.3
444	*	First Boston	90.8	34½–10¾	31	4.5	141	7.72	4	1.75	5.6
445	405	Valley Natl Bk Ariz	90.3	36 –15⅛	31⅞	10.1	323	4.95	6	1.40	4.4
446	603	Irving Bank	90.1	42 –[illegible]1⅝	40⅞	8.6	353	9.55	4	2.72	6.7
447	645	Tenneco	89.7	52¼–26	50¾	116.7	5,922	5.88	9	2.60	5.1
448	472	American Natl Ins	89.5	18¼– 9⅝	13½	30.8	416	2.38	6	0.68	5.0
449	600	NICOR	89.4	43⅜–22⅛	42⅜	19.9	843	5.03	8	2.68	6.3
450	555	Eastern Gas & Fuel	89.3	30⅞–13	30⅛	22.6	681	2.55	12	1.00	3.3
451	329	Rexnord	89.0	21¼–10¼	19⅜	19.7	382	2.50	8	1.04	5.4
452	179	AM International	88.9	32⅞– 7¾	14⅞	8.5	126	0.26	57	none	0.0
452	311	Auto Data Processing	88.9	53 –21½	51	15.5	790	2.57	20	0.76	1.5
452	981	LTV	88.9	19½– 5⅛	19⅛	25.3	483	3.65	5	none	0.0
455	*	Harvey Hubbell	88.1	40½–21¼	40⅜	5.5	223	4.80	8	1.92	4.8

Note: Except as footnoted, price changes are measured from Dec. 31, 1975 to Nov. 19, 1980. For comparison, the five-year change in the Consumer Price Index was 52.7%.
*Not ranked last year. def: deficit.

Who's where in the stock market

Rank 80	Rank 79	Company	5-year price change	1976-80 price range	Recent price	Shares outstanding (millions)	Total market value (millions)	Latest 12-month earnings per share	Price/earnings ratio	Indicated annual dividend	Current yield
456	587	Brown Group	87.7%	36¼–18⅜	34¼	7.3	$ 250	$6.00	6	$2.10	6.1%
457	489	BanCal Tri-State	87.3	43 –12⅜	27⅝	4.6	127	4.20	7	1.12	4.1
458	335	Kaufman & Broad	87.3	13⅞– 5⅛	12⅞	11.9	153	2.14	6	0.24	1.9
459	420	Cannon Mills	87.2	29¼–12½	24¼	9.4	227	3.11	8	1.20	4.9
460	342	Archer Daniels Midland	87.0	42⅞–11¼	39⅝	40.8	1,616	3.26	12	0.20	0.5
461	415	Super Food Services	86.9	17¼– 6⅞	13	1.8	24	1.69	8	0.40	3.1
462	507	Revere Copper	86.8	21⅜– 7⅞	15⅞	5.7	90	4.01	4	none	0.0
463	347	Rollins	86.8	38⅞–14¾	38¾	13.6	529	2.71	14	0.88	2.3
464	186	Rainier Bancorp	86.7	30¼–12½	22⅞	9.4	214	4.20	5	1.24	5.4
465	262	Manhattan Industries	85.9	12⅜– 4⅛	7¾	2.8	22	–4.76	def	0.30	3.9
466	822	Bankers Trust N Y	85.8	58⅞–28⅞	54⅛	12.3	664	15.31	4	3.30	6.1
467	832	Tesoro Petroleum	85.5	32⅛– 6¾	25½	13.6	348	8.87	3	0.30	1.2
468	785	Lubrizol	85.4	83⅜–27¾	73	19.9	1,453	5.71	13	1.80	2.5
469	534	Butler Manufacturing	85.3	32¾–14⅛	26¼	5.5	145	3.37	8	1.20	4.6
470	10	Memorex	85.3	60¾– 7⅜	14⅛	7.2	102	–3.69	def	none	0.0
471	279	Giant Food	84.8	19⅜– 9⅛	17¼	4.9	85	3.00	6	1.10	6.4
472	568	Peavey	84.6	27 –13⅛	27	5.5	148	4.02	7	1.14	4.2
473	483	Questor	83.3	12½– 4½	9½	9.7	92	–0.03	def	0.20	2.1
474	372	Koppers	83.2	35¼–17⅜	32¾	26.7	874	2.41	14	1.40	4.3
475	548	Crown Cork & Seal	83.0	35¾–16⅞	30⅞	14.6	451	4.91	6	none	0.0
476	479	Arden Group	82.4	5⅜– 1⅛	3⅞	3.5	14	1.01	4	none	0.0
477	302	Thrifty Corp	82.0	17¼– 6¼	11⅜	9.8	112	1.50	8	0.72	6.3
478	610	American Intl Group	81.9	80¼–30	72¾	37.7	2,744	7.10	10	0.50	0.7
479	232	Time Inc	81.7	62 –28⅝	57	22.9	1,303	5.17	11	1.80	3.2
480	983	Williams Companies	81.5	48⅜–14	46½	27.2	1,264	5.09	9	1.10	2.4
481	604	Deere	81.2	47⅝–22½	47	61.5	2,890	3.65	13	1.90	4.0
482	488	Timken	81.1	68½–36¾	57	11.2	752	8.93	8	3.25	4.9
483	507	North Amer Philips	80.8	37 –19⅞	35¼	13.0	458	5.61	6	1.70	4.8
484	393	Ohio Casualty	80.7	40⅝–17¼	33⅞	11.7	395	6.15	6	1.76	5.2
485	447	Provident Life & Acc	80.4	53 –23	41½	9.8	409	7.71	5	1.88	4.5
486	699	ACF Industries	80.2	50¼–25⅜	46¼	8.9	413	6.51	7	2.50	5.4
486	345	Willamette Inds	80.2	42⅞–20½	39¼	14.8	581	4.47	9	1.40	3.6
488	*	Pettibone	80.2	29½–13⅝	24½	2.7	66	3.54	7	0.60	2.4
489	647	Allied Chemical	80.1	61¾–27⅝	59⅞	33.3	1,995	8.08	7	2.20	3.7
490	837	Esmark	79.8	62 –23⅜	56⅞	10.1	575	4.20	14	1.84	3.2
491	149	Edison Bros Stores	79.0	35 –15⅛	27	11.5	311	3.62	7	1.32	4.9
492	903	Amdahl	78.7‡	71½–11⅛	34⅝	14.9	517	0.51	68	0.40	1.2
493	285	Kaiser Alum & Chem	78.4	30¼–13¾	24¾	41.4	1,024	6.45	4	1.40	5.7
494	402	USLIFE	78.3	28 –11⅜	20½	22.2	455	3.51	6	0.72	3.5
495	410	Flickinger	78.1	18⅝– 9⅜	18⅛	2.9	54	2.57	7	0.78	4.2
496	570	National Distillers	77.7	33⅜–16⅛	28⅞	31.8	917	3.03	10	2.00	6.9
497	307	Hoover Universal	77.1	25½– 9⅜	16⅝	8.9	148	1.99	8	1.24	7.5
498	271	Sonoco Products	77.0	36 –19¼	34	5.6	191	5.46	6	1.50	4.4
499	286	Albertson's	76.7	24⅞– 8⅞	19⅞	14.8	294	2.50	8	0.80	4.0
500	244	Holiday Inns	76.5	32¾–10⅝	25⅜	32.0	812	2.89	9	0.70	2.8
501	322	Combined Internatnl	76.3	21½– 8⅞	17⅝	27.1	478	3.41	5	1.60	9.1
502	223	Fieldcrest Mills	76.0	37¾–15	26⅝	3.7	99	4.73	6	2.60	9.8
503	743	Joy Manufacturing	75.6	61 –27	57½	13.0	750	4.58	13	1.90	3.3
504	625	Malone & Hyde	75.3	39¼–20	37⅛	7.6	284	3.37	11	1.28	3.4
505	*	King Kullen Grocery	75.0	17¾– 8	14	0.7	10	1.09	13	0.50	3.6
505	274	Seatrain Lines	75.0	15⅜– 2⅜	[illegible]	14.5	63	–2.94	def	none	0.0
507	661	Columbia Gas System	74.9	47 –22¾	40	32.4	1,295	4.61	9	2.56	6.4
508	373	Curtice-Burns	74.2	25½– 8½	16⅞	1.5	26	2.94	6	1.10	6.5
509	726	R R Donnelley & Sons	73.8	38¼–17⅝	35⅝	18.6	664	3.65	10	1.14	3.2
510	735	Gulf Resources & Chem	73.7	37⅞– 8⅛	24¾	8.8	219	2.01	12	0.50	2.0
511	375	Western Union	73.4	31⅛–14⅛	27¾	15.7	435	1.78	16	1.40	5.0
512	576	Dayco	73.4	17⅝– 7⅜	13	5.6	73	1.94	7	0.56	4.3
513	233	Knudsen	73.1	16 – 6⅛	13⅝	2.7	37	2.44	6	0.76	5.6
514	370	Emhart	72.7	45 –18⅛	31¼	12.1	378	4.67	7	2.40	7.7
515	411	Host International	72.2	27 – 8¼	23⅛	4.8	112	2.89	8	0.60	2.6
516	465	Penn Traffic	72.1	18¼– 8⅛	14½	2.1	31	3.02	5	1.20	8.3
517	355	Tiger International	71.8	34⅝–10⅛	23⅝	16.8	397	2.61	9	0.80	3.4
518	636	Alcoa	71.5	76⅜–38½	66¼	35.6	2,360	14.11	5	3.20	4.8
519	91	Dayton-Hudson	71.4	54¼–26¼	45	23.8	1,071	6.91	7	2.00	4.4
519	203	General Host	71.4	23¼– 8⅛	18	2.8	51	6.45	3	0.80	4.4

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*Not ranked last year. ‡Four-year price change. def: deficit.

Rank 80	Rank 79	Company	5-year price change	1976-80 price range	Recent price	Shares outstanding (millions)	Total market value (millions)	Latest 12-month earnings per share	Price/earnings ratio	Indicated annual dividend	Current yield
521	486	Wells Fargo	71.0%	33⅜–15⅝	26½	22.9	$ 606	$5.05	5	$1.92	7.2%
522	854	Pfizer	70.1	49⅛–23⅝	47	73.3	3,443	3.40	14	1.44	3.1
523	595	Crocker National	69.8	37⅜–21⅝	36½	13.4	489	6.82	5	2.20	6.0
524	400	Bendix	69.2	62 –32⅜	56	22.9	1,280	7.68	7	3.00	5.4
525	755	Philip Morris	68.9	48½–24⅞	44¾	124.6	5,577	4.90	9	1.60	3.6
526	696	Texas Commerce Bshs	68.8	30⅞–15⅞	29⅛	29.0	845	3.34	9	0.92	3.2
527	492	RCA	67.3	33⅞–18½	32	74.9	2,397	3.45	9	1.80	5.6
528	404	Riegel Textile	66.7	23⅜–13	22½	3.8	86	4.73	5	1.80	8.0
528	418	A O Smith	66.7	24⅞– 8⅞	15	4.9	73	–0.35	def	1.40	9.3
530	566	Corning Glass Works	66.1	80 –43⅝	72¼	18.0	1,297	6.32	11	2.32	3.2
531	739	INA	66.0	43¾–22¾	38⅞	38.3	1,487	6.97	6	2.20	5.7
532	537	Continental Illinois	65.6	32⅞–17¾	29½	39.3	1,159	5.70	5	1.80	6.1
533	436	McGraw-Edison	65.6	37⅜–20¾	37¼	16.3	609	3.30	11	1.80	4.8
534	696	Southeast Banking	65.5	19 – 9¼	17½	12.9	226	3.14	6	0.88	5.0
535	560	Travelers	65.2	44⅞–25	41½	42.1	1,745	8.85	5	2.48	6.0
536	426	Westvaco	64.5	38¾–21⅝	35⅜	16.9	597	5.20	7	1.64	4.6
537	666	Hart Schaffner & Marx	64.3	16 – 8¾	14⅜	8.4	121	2.60	6	1.00	7.0
538	830	Southern Railway	63.1	82¼–44½	81¾	15.4	1,258	10.88	8	3.68	4.5
539	704	Hannaford Bros	62.8	16¼– 9¾	15⅞	1.3	21	3.16	5	1.00	6.3
540	282	Continental Airlines	62.8	17½– 5¼	8¾	15.4	134	–1.07	def	none	0.0
541	491	Reynolds Metals	62.7	44⅞–22⅛	36	19.1	688	9.91	4	2.40	6.7
542	358	Potlatch	62.7	45 –23⅝	39¾	15.2	603	2.89	14	1.40	3.5
543	665	Hammermill Paper	62.6	32 –16	26⅝	7.7	204	5.38	5	1.68	6.3
544	605	Nalco Chemical	62.4	50½–24⅜	49⅛	19.9	977	3.44	14	1.60	3.3
545	791	GATX	61.3	46 –22¼	42¾	12.2	522	5.10	8	2.20	5.1
546	293	Borman's	61.1	9⅞– 2⅜	3⅜	2.9	11	–0.15	def	0.20	5.5
546	746	Pueblo International	61.1	8⅜– 2⅛	3⅜	4.5	16	0.89	4	none	0.0
548	377	United States Shoe	60.5	38½–16¼	30½	7.0	213	5.22	6	1.60	5.2
549	266	Natl Semiconductor	60.5	45¼–10⅛	43⅞	21.9	960	2.87	15	none	0.0
550	583	PPG Industries	60.1	39⅞–23⅛	37¾	33.0	1,246	6.01	6	2.16	5.7
551	606	Allied Van Lines	60.0	5¾– 2	4	1.2	5	1.39	3	none	0.0
551	675	Crown Zellerbach	60.0	62¾–29	57	24.5	1,395	3.52	16	2.30	4.0
553	911	Savannah Foods	59.8	25¾–13¼	23½	1.8	43	–3.10	def	1.56	6.6
554	529	Gannett	59.7	38¾–21½	35¾	52.8	1,883	2.70	13	1.52	4.3
555	493	A C Nielsen	59.3	38¼–16¾	34¼	11.0	377	2.57	13	0.88	2.6
556	252	Boise Cascade	59.3	42½–22¼	37⅝	26.6	1,002	5.04	7	1.75	4.7
557	273	Eagle-Picher Inds	58.8	25⅝–12¾	20¼	9.7	197	2.52	8	0.96	4.7
558	471	Republic of Texas	58.6	32¼–17½	30	18.0	539	4.60	7	1.16	3.9
559	206	Gordon Jewelry	58.4	29 – 9⅝	20	5.5	111	4.12	5	0.72	3.6
560	809	Delta Air Lines	57.6	59¾–30	59½	19.9	1,183	5.38	11	1.20	2.0
561	432	Stewart-Warner	57.6	41⅜–17¼	29⅝	5.2	154	3.71	8	1.88	6.3
562	202	Levitz Furniture	57.0	34 –15½	25⅛	4.3	107	3.65	7	1.00	4.0
563	22	Modern Merchandising	57.0	19¾– 6⅜	10⅛	8.3	84	0.75	14	0.20	2.0
564	669	Amstar	56.6	32½–14	28⅞	9.0	258	4.81	6	1.60	5.5
565	863	Amer Hospital Supply	56.5	47¾–22	46⅜	40.3	1,868	3.20	14	0.92	2.0
566	880	G D Searle	56.2	27½–10⅝	23⅜	52.7	1,246	1.76	13	0.52	2.2
567	443	First Wisconsin	56.0	29¾–17⅜	27½	4.2	115	6.06	5	1.88	6.8
568	462	Michigan National	55.8	21½–11⅞	18½	9.9	183	3.88	5	1.20	6.5
569	786	Jewel Companies	55.6	34 –17½	31⅛	11.3	352	4.96	6	1.92	6.2
570	802	Chase Manhattan	55.5	47 –26⅜	42¾	32.3	1,379	10.31	4	2.80	6.5
571	835	Amer Natl Resources	55.4	54⅞–32¾	52⅝	23.1	1,216	5.04	10	3.44	6.5
572	632	CPC International	54.9	75¼–40½	65⅝	23.8	1,564	7.93	8	3.40	5.2
573	789	Air Prods & Chems	54.2	54¼–21	51⅛	28.4	1,451	4.07	13	0.80	1.6
574	445	Gray Drug Stores	54.1	19¾– 8⅞	14⅛	2.6	37	0.70	20	0.80	5.7
575	959	Upjohn	54.0	67 –30	65¼	29.8	1,947	5.60	12	2.00	3.1
576	871	Marine Midland Banks	53.9	21⅜– 8¾	17⅛	15.8	271	3.66	5	0.90	5.3
577	148	Blue Bell	53.8	37⅞–17⅝	28⅜	12.5	360	5.40	5	1.80	6.3
578	580	Transway Intl	53.3	29⅞–16⅞	25⅞	6.5	169	3.16	8	1.80	7.0
579	416	Interpace	53.2	31⅛–15	23⅜	4.3	102	2.64	9	1.50	6.3
580	612	Edward Hines Lumber	53.2	26¼–11¾	18	1.7	31	–1.37	def	0.60	3.3
581	639	Connecticut General	52.9	50½–29¼	45⅝	41.3	1,886	7.33	6	1.52	3.3
582	591	Springs Mills	52.9	20⅞–10¼	16⅝	8.7	145	3.58	5	1.20	7.2
583	893	Quaker State Oil	52.7	20¾–10¼	20	21.7	434	1.17	17	0.80	4.0
584	589	Pittsburgh National	52.3	47½–27½	42¼	6.2	262	7.94	5	3.00	7.1
585	722	Square D	51.8	33½–17⅝	31⅞	25.5	814	3.13	10	1.70	5.3

Note: Except as footnoted, price changes are measured from Dec. 31, 1975 to Nov. 19, 1980. For comparison, the five-year change in the Consumer Price Index was 52.7%.
def: deficit.

Who's where in the stock market

Rank 80	Rank 79	Company	5-year price change	1976-80 price range	Recent price	Shares outstanding (millions)	Total market value (millions)	Latest 12-month earnings per share	Price/ earnings ratio	Indicated annual dividend	Current yield
586	1003	DEKALB AgResearch	51.7%	55¾–16½	55¾	12.0	$ 671	$3.60	15	$0.72	1.3%
587	720	Richardson-Merrell	51.3	38⅛–17½	37⅝	23.2	872	3.69	10	1.32	3.5
588	849	R J Reynolds Inds	51.2	47½–26⅛	46½	101.5	4,721	6.24	7	2.40	5.2
589	501	W W Grainger	51.0	40¼–24⅜	37¾	14.1	533	3.17	12	1.00	2.6
590	519	Ferro	50.9	35 –14½	22⅛	7.7	170	3.84	6	1.20	5.4
591	253	Consolidated Edison	50.8	26½–15	22⅝	62.8	1,421	4.80	5	2.68	11.8
592	615	Lincoln National	50.5	48 –24	39⅞	20.8	828	7.16	6	3.00	7.5
593	620	Sperry	50.3	60⅛–29⅛	59	40.3	2,380	7.68	8	1.76	3.0
594	428	FMC	50.3	31¼–19½	30¼	32.1	972	4.23	7	1.60	5.3
595	344	Seafirst	50.0	31⅞–16⅝	25	15.2	381	4.41	6	1.28	5.1
596	715	Allied Products	50.0	14⅞– 6½	10⅜	2.7	28	–0.77	def	0.20	1.9
597	796	Texas Instruments	49.9	144¾–61⅜	142	22.9	3,258	8.93	16	2.00	1.4
598	701	Lane Bryant	49.5	23½–11¼	18½	4.6	84	2.44	8	1.00	5.4
599	791	Hoover	48.8	18⅝– 8½	15¼	12.1	185	2.86	5	1.00	6.6
600	502	Intl Multifoods	48.7	25½–12⅜	18½	8.0	149	2.21	8	1.32	7.1
601	582	Cummins Engine	48.7	58½–19⅝	29	8.4	242	–0.84	def	1.80	6.2
602	608	Farmers Group	48.7	32⅛–17⅞	28¼	33.9	958	3.17	9	1.00	3.5
603	514	Textron	47.8	35 –20⅛	29⅝	33.3	991	4.30	7	1.80	6.1
604	449	Garfinckel Brooks Bros	47.8	29⅛–13⅛	20½	4.4	89	3.15	7	1.30	6.3
605	550	Robertshaw Controls	47.7	29½–13⅝	20⅛	3.9	79	2.38	8	1.40	7.0
606	498	Natl Detroit	47.5	35⅜–19⅞	29½	12.2	359	5.86	5	2.00	6.8
607	506	Eaton	47.5	34⅞–19¾	29¼	26.4	771	4.64	6	1.72	5.9
608	718	Masonite	47.4	30⅞–14⅞	28	13.6	381	2.19	13	1.32	4.7
609	268	Phillips-Van Heusen	46.7	18 – 7⅝	11	3.0	33	1.85	6	0.60	5.5
610	132	Niagara Frontier Services	46.5	32⅜–11⅞	18½	2.1	39	4.09	5	1.00	5.4
611	828	First Intl Bahs	46.1	47½–28⅞	43¼	20.5	885	5.40	8	1.80	4.2
612	353	DPF	46.0	14¼– 4½	6⅜	4.5	31	1.37	5	none	0.0
613	801	Scott Paper	45.3	24⅛–12	21¼	38.9	826	3.31	6	1.00	4.7
614	810	Southern Pacific	45.0	47½–25	43⅞	27.0	1,183	5.50	8	2.60	5.9
615	556	Safeco	44.4	40⅝–21⅞	35⅝	19.2	685	6.52	5	2.00	5.6
616	133	American Bakeries	44.4	19½–11¼	16½	2.0	34	0.76	22	0.20	1.2
617	411	Roper Corp	44.4	15⅛– 8	12	3.7	44	0.83	14	0.90	7.5
618	458	Ball Corp	44.3	29¼–16⅜	26⅞	5.1	138	4.91	5	1.60	6.0
619	614	First Charter Finl	44.2	21¾–10¾	17	29.8	506	1.54	11	0.80	4.7
620	552	AMAX	44.1	59½–20¾	45⅜	61.1	2,773	7.97	6	2.40	5.3
621	883	First Natl Boston	44.0	37⅛–22⅝	33⅛	12.4	411	8.10	4	2.50	7.5
622	904	General Re	43.8	61¼–33⅜	55	21.8	1,199	6.88	8	1.40	2.5
623	487	Arvin Industries	43.6	23⅜– 9⅝	14	6.6	92	1.30	11	1.12	8.0
624	623	Intl Tel & Tel	43.3	36⅛–22¼	32¼	118.6	3,824	5.23	6	2.60	8.1
625	691	Masco	43.1	34¼–15⅝	33⅜	24.6	827	2.94	11	0.68	2.0
626	*	Equitable of Iowa	42.7	22¼–10¼	15¼	6.2	95	3.67	4	1.20	7.9
627	729	B F Goodrich	42.4	33⅜–16⅛	25⅜	16.7	427	3.12	8	1.56	6.1
628	382	Consol Freightways	42.3	34 –18	26½	13.1	347	3.49	8	1.40	5.3
629	1005	Singer	42.1	26 – 6¼	13½	16.6	224	1.55	9	0.10	0.7
630	557	Ward Foods	41.6	12⅜– 4⅛	11⅛	3.9	44	–2.18	def	none	0.0
631	523	Owens-Corning Fbrgls	41.5	36⅝–21	30¼	30.6	926	2.02	15	1.20	4.0
632	386	Snap-On Tools	41.4	29 –12⅜	22⅝	19.9	451	1.95	12	0.84	3.7
633	451	DETROITBANK	41.2	29⅝–16	22½	8.1	182	3.88	6	2.00	8.9
634	644	Kimberly-Clark	41.2	55 –36¼	51⅞	23.1	1,199	7.47	7	3.20	6.2
635	616	Amer Maize-Products	40.9	20⅞– 5⅞	18¼	5.2	94	1.95	9	0.52	2.9
636	566	Gulf & Western Inds	40.6	20⅞– 8	18	68.9	1,240	4.38	4	0.75	4.2
637	578	Manufacturers National	40.4	30⅜–15⅝	22	5.1	111	5.85	4	2.20	10.0
638	301	Campbell Taggart	40.2	28¾–15⅝	22¾	11.1	252	3.21	7	1.20	5.3
639	593	Rath Packing	40.0	8¼– 2	4⅜	1.2	5	1.52	3	none	0.0
639	352	White Consolidated	40.0	28⅛–16¾	26¼	13.3	349	3.86	7	1.40	5.3
641	658	Girard	39.9	27¼–17	23⅛	5.3	124	6.11	4	2.00	8.6
642	559	Jack Eckerd	39.5	37 –18⅞	34⅞	23.7	825	2.92	12	1.20	3.4
643	318	Universal Foods	39.4	23 – 7¾	11	6.7	74	1.52	7	0.96	8.7
644	1026	GEICO	39.1	16½– 2⅛	16	19.8	317	2.73	6	0.44	2.8
645	884	Lukens Steel	39.1	19 –10¾	15⅛	5.2	79	0.77	20	0.48	3.2
646	447	Champion Intl	38.4	28⅞–16¾	25¼	53.7	1,356	3.11	8	1.48	5.9
647	475	Harcourt Brace Jovan	38.0	41¼–21⅛	31¾	4.4	140	5.85	5	1.60	5.0
648	407	Diamond Shamrock	37.2	40 –19	36⅝	56.1	2,054	3.94	9	1.68	4.6
649	542	Fruehauf	37.1	40 –18¾	25⅞	12.2	317	3.21	8	2.40	9.3
650	504	Genl Tire & Rubber	37.1	30⅜–12¼	22½	23.7	532	1.08	21	1.50	6.7

Note: Except as footnoted, price changes are measured from Dec. 31, 1975 to Nov. 19, 1980. For comparison, the five-year change in the Consumer Price Index was 52.7%.

*Not ranked last year. def: deficit.

Who's where in the stock market

Rank		Company	5-year price change	1976-80 price range	Recent price	Shares outstanding (millions)	Total market value (millions)	Latest 12-month earnings per share	Price/earnings ratio	Indicated annual dividend	Current yield
80	79										
651	731	American Greetings	36.6%	14⅝– 8¼	12⅛	13.7	$ 166	$1.90	6	$0.52	4.3%
652	468	Magic Chef	36.5	14⅞– 6	8⅞	7.8	69	0.25	36	0.32	3.6
653	955	Wheeling-Pitts Steel	36.3	24¾– 8	23	3.9	89	4.37	5	none	0.0
654	438	Scovill	36.2	24⅞–11¾	16	9.3	149	2.74	6	1.52	9.5
655	424	Gould	35.6	35½–17½	24⅝	28.3	697	2.89	9	1.72	7.0
656	754	Kaiser Steel	35.4	50¾–17⅝	43	7.0	301	17.28	2	none	0.0
657	819	Brunswick	35.2	18¾–10⅛	14⅞	20.2	301	1.24	12	0.90	6.1
658	824	Signode	35.2	45 –28⅜	43¼	7.9	343	5.08	9	1.84	4.3
659	173	American Stores	35.0	34½–17¾	27	9.8	264	4.66	6	0.80	3.0
660	38	Hartfield-Zodys	34.7	13 – 3¼	7½	3.7	28	1.33	6	0.40	5.3
661	723	Wetterau	34.3	16⅝–10¼	15⅝	7.4	116	1.98	8	0.70	4.5
662	939	Citizens & Southern NB	34.0	9 – 4	8⅜	28.8	241	1.14	7	0.40	4.8
663	765	Bristol-Myers	33.7	52 –28	46⅛	65.6	3,027	3.94	12	1.60	3.5
664	599	Ryan Homes	32.9	30 –14⅜	25¾	6.6	169	2.59	10	1.30	5.0
665	653	Caterpillar Tractor	32.5	65 –43½	61⅝	36.5	5,327	5.19	12	2.40	3.9
666	851	Chemical New York	32.2	47⅛–30⅛	40	15.0	599	10.26	4	3.48	8.7
667	590	NCNB	32.1	16⅜– 9¼	12⅞	18.5	238	2.61	5	0.80	6.2
668	714	Illinois Tool Works	32.0	30 –18½	28⅜	12.2	347	3.38	8	1.08	3.8
669	879	Xerox	31.7	71¾–40½	67	84.4	5,657	7.17	9	2.80	4.2
670	749	Armstrong Rubber	31.4	34⅜–14⅜	19⅜	1.7	33	–10.17	def	1.20	6.2
671	659	Clark Equipment	31.3	46½–25⅛	33	12.7	420	4.66	7	2.20	6.7
672	430	Olin	31.1	25¾–12½	19¾	24.0	474	3.20	6	1.10	5.6
673	926	Liquid Air of No Amer	30.9	35 –19¾	31¾	10.2	324	2.74	12	1.40	4.4
674	764	General Electric	30.9	60⅞–43⅜	60⅜	227.7	13,745	6.53	9	3.00	5.0
675	711	National Fuel Gas	30.6	33⅜–21	27¾	5.1	142	4.30	6	2.70	9.7
676	943	Ceco	30.6	21½– 9⅛	19⅜	3.2	64	4.62	4	0.90	4.6
677	727	H J Heinz	30.4	46⅞–26½	43⅛	22.5	972	5.92	7	2.40	5.5
678	633	NLT	30.2	37 –15⅛	21	34.6	728	3.85	5	1.32	6.3
679	390	Scott & Fetzer	30.1	36⅛–17¼	23⅜	7.4	176	3.40	7	1.80	7.6
680	469	Anderson, Clayton	30.0	27⅝–17⅝	22⅜	12.8	291	3.78	6	1.20	5.3
681	549	Revlon	29.6	59 –34⅞	48¾	35.7	1,741	4.87	10	1.84	3.8
682	482	Zale	29.4	27¾–11¼	27½	11.2	307	4.47	6	1.16	4.2
683	540	Nabisco	29.2	28½–17¾	24⅞	32.2	802	3.75	7	1.80	7.2
684	768	Philadelphia Natl	29.2	34½–23½	31	5.8	181	6.75	5	2.64	8.5
685	379	Cluett, Peabody	29.0	14⅞– 7¼	10	8.9	89	1.85	5	0.68	6.8
686	990	Sterling Drug	28.9	26⅞–12⅜	24	60.3	1,448	1.97	12	0.92	3.8
687	551	Stokely-Van Camp	28.8	37⅜–17¾	23½	3.3	78	2.42	10	1.48	6.3
688	586	Strawbridge & Clothier	28.7	31¾–18½	23¾	2.0	47	5.32	4	1.40	5.9
689	878	Bucyrus-Erie	28.4	30¼–15¼	24⅞	20.4	508	2.45	10	0.88	3.5
690	864	Fischbach	27.5	36 –19⅜	29	3.3	97	3.90	7	1.60	5.5
691	721	IBM	27.3	80½–50⅜	71⅜	583.4	41,641	5.72	12	3.44	4.8
692	915	Continental Group	27.3	37⅞–25¼	35	32.7	1,145	5.77	6	2.40	6.9
693	564	Intl Harvester	26.8	45½–22⅜	28⅜	31.4	892	–8.76	def	2.50	8.8
694	740	Southern Calif Edison	26.8	27¾–18⅜	24⅞	73.5	1,827	3.96	6	2.96	11.9
695	677	AmeriTrust	26.6	38 –23	29¾	9.2	275	6.05	5	2.72	9.1
696	660	Univar	26.5	15¾– 6¾	13⅛	6.4	85	2.23	6	0.56	4.3
697	503	Interco	26.5	53⅜–34	49	14.0	685	7.45	7	2.64	5.4
698	974	Kerr-McGee	26.0	92⅜–39⅞	88½	25.9	2,291	6.59	13	1.80	2.0
699	594	Brooklyn Union Gas	26.0	25 –16⅛	20⅝	7.8	161	3.61	6	2.22	10.8
700	862	MAPCO	25.7	51⅞–26¼	45⅞	18.8	864	4.48	10	1.70	3.7
701	357	Hershey Foods	25.5	27½–16⅝	23⅜	14.2	331	3.97	6	1.60	6.8
702	629	Celanese	24.3	62⅝–35⅝	55	14.4	793	7.36	7	3.60	6.5
703	724	American Cyanamid	24.1	38 –20⅝	30⅞	48.0	1,481	3.26	9	1.60	5.2
704	520	Amerace	24.0	32¼–16¼	20	2.4	49	3.72	5	1.32	6.6
705	571	Washington Gas Light	23.6	27½–18	22¼	4.4	98	2.39	9	2.52	11.3
706	716	Pacific Lighting	22.8	24½–16¾	20⅞	25.0	521	3.23	6	2.44	11.7
707	741	National Tea	21.9	6¼– 3⅜	4⅞	10.0	49	0.85	6	none	0.0
708	687	Utah Power & Light	21.8	23¼–13	16⅜	39.6	663	2.06	8	2.00	11.9
709	[illegible]	M Lowenstein	20.9	19⅞– 7½	13⅜	3.3	46	0.21	65	none	0.0
710	692	McCormick	20.3	33⅛–12⅜	20	11.4	229	1.79	11	0.66	3.3
711	793	St Paul Companies	20.2	42¼–25	37⅛	21.0	778	7.06	5	2.32	6.2
712	*	National City	19.8	48½–28¾	34¾	7.8	272	6.21	6	2.75	7.9
713	685	Mellon National	19.8	31⅞–21¾	30¼	19.6	593	5.49	6	1.84	6.1
714	674	West Point-Pepperell	19.7	45⅜–27¼	43¼	4.6	197	9.32	5	3.20	7.4
715	640	Anchor Hocking	19.7	21⅞–13¾	18¼	10.3	187	2.71	7	1.28	7.0

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Who's where in the stock market

Rank 80	Rank 79	Company	5-year price change	1976-80 price range	Recent price	Shares outstanding (millions)	Total market value (millions)	Latest 12-month earnings per share	Price/earnings ratio	Indicated annual dividend	Current yield
716	892	Becton, Dickinson	19.6%	48¾–22	46⅝	20.0	$ 933	$3.14	15	$1.00	2.1%
717	511	Copperweld	18.9	26½–15¾	22	5.7	126	2.87	8	1.48	6.7
718	708	Central Tel & Utils	18.2	28¾–19¼	22¾	26.0	591	3.44	7	2.00	8.8
719	730	Echlin Manufacturing	18.1	21½–10½	13⅞	16.0	222	0.55	25	0.52	3.7
720	1000	Sherwin-Williams	17.4	43⅛–19⅝	38¾	4.9	189	5.25	7	1.20	3.1
721	401	Northwest Airlines	17.4	37⅛–19	27	21.6	584	0.15	–	0.80	3.0
722	495	Southland	17.2	31⅞–16⅞	22½	23.6	532	2.99	8	0.96	4.3
723	812	Interlake	17.1	42½–21⅛	30	6.0	181	1.36	22	2.20	7.3
724	780	Baxter Travenol Labs	17.0	56⅝–28¼	46⅜	34.6	1,604	3.49	13	0.64	1.4
725	820	J P Stevens	16.9	21⅞–11	17⅝	14.2	251	3.03	6	1.20	6.8
726	738	Bank of New York	16.7	43¼–26¾	34	6.6	224	7.40	5	3.00	8.8
727	686	Northwest Bancorp	16.7	29¼–18	25⅜	25.9	656	4.36	6	1.48	5.8
727	717	United Telecom	16.7	21½–14	16⅝	69.4	1,153	2.43	7	1.60	9.6
729	702	Atlanta Gas Light	16.5	17⅛–12½	15	4.5	68	2.89	5	1.68	11.2
730	913	Merck	16.1	82⅜–47⅜	80⅜	75.0	6,024	5.54	15	2.60	3.2
731	673	BankAmerica	15.9	30⅞–20¼	24⅝	146.9	3,617	4.35	6	1.44	5.8
732	633	General Refractories	15.9	14 – 5	9⅛	3.8	35	0.39	23	none	0.0
733	742	VF	15.7	32 –16½	28½	8.1	230	4.57	6	2.00	7.0
734	788	Emerson Electric	15.6	41½–29⅝	39¾	63.5	2,523	3.72	11	1.76	4.4
735	676	Genuine Parts	15.5	29⅞–18¾	28	27.6	772	2.40	12	1.04	3.7
736	756	Continental Tel	15.3	17⅞–12¼	14⅛	53.9	762	2.08	7	1.44	10.2
737	652	Castle & Cooke	14.5	20⅜–10⅛	13	25.3	329	0.76	17	0.80	6.2
738	641	New England G & E	14.4	18⅞–11¾	14⅞	7.6	113	2.86	5	1.72	11.6
739	759	Greyhound	14.3	18⅝–11	15	44.3	664	2.78	5	1.20	8.0
739	*	UMC Industries	14.3	22⅜–10⅝	12	5.9	71	1.71	7	1.20	10.0
741	823	Houston Industries	13.8	36⅛–20¼	26⅞	42.4	1,139	4.85	6	2.68	10.0
742	700	Equifax	13.7	30¼–17	23⅞	3.3	80	3.06	8	2.40	10.1
743	826	National-Standard	13.1	23⅞–12⅛	14	4.1	58	1.29	11	1.24	8.9
744	994	Ingersoll-Rand	12.9	95½–44¼	79	19.0	1,499	7.32	11	3.32	4.2
745	958	Eli Lilly	12.8	63⅞–32⅝	58⅜	75.7	4,419	4.59	13	2.30	3.9
746	578	Beneficial Corp	12.8	32⅛–17⅜	19⅞	22.1	440	2.92	7	2.00	10.1
747	131	American Family	12.5	15½– 6½	7⅝	12.2	93	1.59	5	0.60	7.9
748	532	Consolidated Foods	12.5	27¼–19⅜	23⅝	29.6	700	4.23	6	1.90	8.0
748	779	San Diego Gas & Elec	12.5	16⅜–11⅛	12⅜	34.2	423	1.08	11	1.60	12.9
750	678	Continental Corp	12.0	31⅞–20⅞	24½	51.1	1,252	4.67	5	2.20	9.0
751	881	Reichhold Chemicals	11.8	20⅛– 9⅝	13	6.9	90	1.25	10	0.48	3.7
752	928	Mallinckrodt	11.7	49¾–25¼	45½	9.4	428	3.74	12	1.40	3.1
753	237	Dana	11.6	32⅜–17⅞	21⅝	33.1	716	2.78	8	1.60	7.4
754	569	American Airlines	11.3	19¾– 6¾	9⅞	28.7	283	–2.76	def	none	0.0
755	657	New England Electric	10.8	24¾–17¼	21¾	21.8	474	3.31	7	2.50	11.5
756	*	Mercantile Bancorp	10.6	32½–20½	26⅛	5.9	154	6.20	4	2.48	9.5
757	204	National Kinney	10.5	10¼– 1⅛	2⅝	6.4	17	–0.30	def	none	0.0
758	585	BancOhio	10.3	24½–11¾	13½	8.0	109	0.81	17	1.40	10.4
759	719	Nash Finch	10.2	16 –11¾	13½	3.5	47	2.49	5	1.23	9.1
760	618	Cal-Maine Foods	10.0	7 – 3½	3¾	2.6	10	–1.31	def	none	0.0
760	617	Libbey-Owens-Ford	10.0	37⅜–19¾	24¾	11.1	274	2.02	12	1.20	4.8
762	679	AMF	9.7	24⅜–11½	21⅛	20.5	432	2.60	8	1.24	5.9
763	841	Potomac Elec Power	9.4	16⅝–10	13⅛	42.1	552	2.10	6	1.52	11.6
764	867	Genesco	9.3	9 – 2¾	5⅞	12.6	74	0.09	65	none	0.0
765	698	CBS	9.0	64⅜–42½	51¼	27.9	1,428	6.71	8	2.80	5.5
766	664	General Tel & Elec	8.9	33½–23	27⅝	152.9	4,223	2.87	10	2.72	9.8
767	970	Phelps Dodge	8.6	48¼–17⅝	39⅜	20.8	820	4.60	9	1.60	4.1
768	628	Diamond Int'l	8.5	50 –27¼	35⅝	15.5	551	3.08	12	2.20	6.2
769	906	Minn Mining & Mfg	8.1	66⅝–43	60	117.4	7,043	5.72	10	2.80	4.7
770	853	Johns-Manville	8.1	38¼–18¼	25⅛	22.6	568	2.57	10	1.92	7.6
771	324	F W Woolworth	8.0	32 –17⅛	23¾	30.0	712	5.22	5	1.80	7.6
772	472	Quaker Oats	7.6	35¾–20	28¼	20.2	571	4.46	6	1.60	5.7
773	637	Union Camp	7.0	67⅞–36½	51	24.3	1,239	6.60	8	2.60	5.1
774	800	Minnesota Gas	6.9	25⅛–17¼	19⅜	4.1	79	3.53	5	2.04	10.5
775	561	General Foods	6.8	37 –23½	29½	50.0	1,474	4.71	6	2.20	7.5
776	533	Gerber Products	6.5	39½–17⅞	26⅝	8.9	237	3.71	7	1.74	6.5
777	681	Laclede Gas	6.4	24⅛–14⅞	18⅜	4.4	81	3.50	5	2.14	11.5
778	546	Harnischfeger	6.3	26 –11½	14⅞	8.9	133	0.53	28	0.40	2.7
779	728	Briggs & Stratton	5.6	33⅜–20¾	23¾	14.5	344	3.35	7	1.52	6.4
780	707	Marsh & McLennan Cos	5.2	36⅛–25¾	30⅝	27.9	854	3.11	10	2.00	6.5

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*Not ranked last year. def: deficit.

Who's where in the stock market

Rank 80	Rank 79	Company	5-year price change	1976-80 price range	Recent price	Shares outstanding (millions)	Total market value (millions)	Latest 12-month earnings per share	Price/earnings ratio	Indicated annual dividend	Current yield
781	574	PepsiCo	5.0%	33⅞–20	24½	91.2	$2,235	$3.07	8	$1.30	5.3%
782	706	Household Finance	4.7	22⅛–13⅝	16¾	46.4	777	2.95	6	1.60	9.6
783	387	Saga	4.6	16¾– 6⅞	8½	4.8	41	1.53	6	0.44	5.2
784	828	Central Soya	4.5	21⅜– 8⅝	17½	14.8	258	2.38	7	0.84	4.8
785	919	Northern Trust	4.4	42 –27¾	35½	4.8	170	6.29	6	2.44	6.9
786	971	Johnson & Johnson	4.3	96½–62⅛	93⅝	61.5	5,761	6.32	15	2.30	2.5
787	*	Montana Power	4.3	32⅝–18	27⅝	11.9	328	2.78	10	2.12	7.7
788	613	Stauffer Chemical	4.1	27 –14½	22⅛	43.9	972	2.95	8	1.20	5.4
789	827	WICOR	3.7	25⅛–16⅝	17⅝	4.1	72	2.49	7	2.04	11.6
790	695	Purolator	3.4	45½–19½	33⅞	4.4	151	2.61	13	1.44	4.3
791	938	Avondale Mills	3.4	26⅝–13½	19⅝	2.3	44	3.12	6	1.20	6.1
792	734	Arizona Public Service	3.2	21⅝–14⅝	16¼	47.5	772	2.86	6	2.12	13.0
793	805	E I du Pont	2.9	53¾–31⅛	43⅜	146.5	6,356	4.84	9	2.75	6.3
794	798	Pacific Pwr & Lt	2.5	24¼–16¼	20⅞	45.5	950	2.20	9	2.04	9.8
795	865	Owens-Illinois	2.2	31⅝–17⅛	26½	28.7	761	4.99	5	1.40	5.3
796	869	Chubb	2.1	46⅜–29⅛	37¼	12.4	462	8.60	4	2.40	6.4
797	859	Chesebrough-Pond's	1.9	32⅝–19⅛	30½	32.4	987	3.01	10	1.28	4.2
798	588	Pennwalt	1.8	42½–25⅝	28	8.8	246	4.33	6	2.20	7.9
799	772	Avon Products	1.8	63 –31⅛	35½	60.2	2,135	4.01	9	3.00	8.5
800	799	GAF	1.2	17⅜– 7⅜	10⅞	13.5	146	1.24	9	0.80	7.4
801	547	Walt Disney	0.6	60¼–31½	48	32.3	1,553	4.16	12	1.00	2.1
802	299	Pay'n Save	0.5	30⅞–18	24⅛	5.5	133	3.42	7	0.86	3.6
803	627	Pub Svc Elec & Gas	0.0	26⅛–15½	18⅛	75.8	1,375	3.06	6	2.32	12.8
804	630	Indianapolis Pwr & Lt	–0.6	27 –17	20¼	13.2	267	3.76	5	2.24	11.1
805	858	Manufacturers Hanover	–0.9	41⅜–26½	28¾	33.3	958	6.71	4	2.52	8.8
806	794	Winn-Dixie Stores	–1.1	34¾–23⅝	28⅝	26.3	745	3.32	9	1.92	6.8
807	751	St Regis Paper	–1.1	50½–25¼	33¾	32.2	1,088	5.24	6	2.12	6.3
808	1009	Kennecott	–1.2	47 –18⅝	30½	33.2	1,011	2.53	12	1.40	4.6
809	662	Georgia-Pacific	–1.3	37⅝–21½	26⅛	98.6	2,575	2.39	11	1.20	4.6
810	656	Florida Power & Lt	–1.4	29⅝–19⅞	26½	41.6	1,102	4.42	6	2.72	10.3
811	437	Lucky Stores	–1.4	18½–12¼	15	49.5	742	1.87	8	1.12	7.5
811	596	Tampa Electric	–1.4	21⅛–13¼	17½	15.4	269	2.77	6	1.56	8.9
813	651	Wisconsin Public Svc	–1.5	22 –13⅝	16⅞	10.9	183	2.78	6	1.82	10.8
814	845	So New England Tel	–1.5	41 –29½	32½	12.8	415	4.71	7	3.60	11.1
815	481	Purex Industries	–1.7	20⅛–13¼	14¾	11.3	166	2.38	6	1.40	9.5
816	877	Pacific Gas & Elec	–1.8	25½–19¼	20⅝	115.6	2,355	3.52	6	2.60	12.8
817	888	American Express	–2.0	42⅜–25¼	36	71.2	2,565	5.12	7	2.00	5.6
818	461	Florida Power	–2.1	17⅛–10⅞	14⅜	32.3	464	1.95	7	1.64	11.4
819	896	Kansas Power & Light	–2.8	23⅝–14½	17⅝	12.7	224	3.23	5	2.04	11.6
820	709	Baltimore Gas & Elec	–2.8	28½–18⅝	21⅝	32.2	697	3.41	6	2.56	11.8
821	456	Oscar Mayer	–3.0	26 –15½	16¼	16.0	260	1.94	8	1.10	6.8
822	649	Talley Industries	–3.7	15⅜– 4¼	6½	4.8	31	–1.62	def	none	0.0
823	643	Graniteville	–3.9	17⅜– 9¾	12½	4.3	54	2.65	5	1.00	8.0
824	515	Pillsbury	–3.9	47¾–27⅛	37⅛	20.0	744	5.41	7	2.00	5.4
825	866	American Can	–4.0	43⅜–27¼	30⅛	19.3	582	4.54	7	2.90	9.6
826	939	Pamida	–4.4	8¾– 2½	5⅜	9.3	50	0.39	14	none	0.0
827	303	Pan Am World Airways	–4.8	10¾– 3⅝	5	71.2	356	–1.82	def	none	0.0
828	452	Easco	–4.8	30¼–13⅝	17⅜	3.1	54	0.91	19	1.20	6.9
829	852	American Tel & Tel	–4.9	65⅝–45	48⅜	720.2	34,839	8.07	6	5.00	10.3
830	887	Republic Steel	–5.1	40⅝–20¼	25¾	16.2	417	1.31	20	2.00	7.8
831	874	Scot Lad Foods	–5.9	8 – 3¼	5⅜	4.4	24	0.97	6	none	0.0
832	648	Rochester Gas & Elec	–6.2	19⅝–11¼	13¼	16.4	217	2.13	6	1.52	11.5
833	783	Envirotech	–6.3	42⅝– 6½	16¾	4.6	76	–3.48	def	none	0.0
834	844	Borden	–6.6	36⅜–19⅝	24⅞	30.8	767	4.59	5	1.90	7.6
835	434	Denny's	–6.7	35 –11⅞	19⅛	8.7	167	2.07	9	0.88	4.6
836	806	Coca-Cola Bottling NY	–6.9	10½– 3⅞	6¾	19.2	130	–0.66	def	0.16	2.4
837	563	Wm Wrigley Jr	–6.9	48⅝–28½	32¾	7.9	258	3.55	9	2.09	6.4
838	947	Roadway Express	–7.1	48⅛–21⅜	37¾	19.6	739	3.37	11	1.00	2.6
839	789	G C Murphy	–7.7	23⅜–11⅝	15	3.9	59	2.56	6	1.28	8.5
840	917	Campbell Soup	–7.8	39⅝–25¼	30⅝	32.9	1,016	4.19	7	2.10	6.8
841	703	Brockway Glass	–8.0	24⅜–12½	16¼	7.4	120	2.42	7	1.20	7.4
842	815	Wisconsin Pwr & Lt	–8.1	23 –14⅛	15⅝	11.3	177	2.60	6	1.92	12.3
843	602	Gas Service	–8.2	16¼– 9⅞	11¼	4.2	47	1.54	7	1.28	11.4
844	427	Certain-teed	–8.2	28¼–11⅜	14	13.5	188	0.05	–	0.90	6.4
845	787	Southwestern Pub Svc	–8.3	15¾– 9½	11⅛	28.5	317	1.52	7	1.38	12.4

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*Not ranked last year. def: deficit.

Who's where in the stock market

Rank 80	Rank 79	Company	5-year price change	1976-80 price range	Recent price	Shares outstanding (millions)	Total market value (millions)	Latest 12-month earnings per share	Price/earnings ratio	Indicated annual dividend	Current yield
846	413	Kings Dept Stores	–8.6%	16¼– 7¾	8	7.3	$ 59	$1.14	7	$0.90	11.3%
847	761	Long Island Lighting	–8.7	20⅜–13½	14½	69.1	1,002	2.44	6	1.86	12.8
848	255	Allied Stores	–9.3	29⅝–18⅝	20¾	20.5	424	3.92	5	1.70	8.2
849	762	Delmarva Power & Lt	–9.6	15 –10¼	11⅝	24.5	288	1.80	7	1.48	12.6
850	890	First Bank System	–9.8	47 –32¾	37	15.1	558	7.14	5	2.24	6.1
850	910	Weyerhaeuser	–9.8	49⅝–20⅝	33½	125.2	4,193	2.99	11	1.30	3.9
852	953	Rohm & Haas	–9.9	76⅝–28	52⅛	12.9	674	7.35	7	2.32	4.4
853	499	Dillard Dept Stores	–10.0	20 –12	14⅝	3.0	43	2.70	5	0.40	2.7
853	756	Foodarama Supermkts	–10.0	10 – 3¼	3⅝	1.3	5	–1.03	def	none	0.0
855	558	Dillon Companies	–10.0	22¾–13⅜	14¾	16.9	250	1.71	9	1.08	7.3
856	825	Kellwood	–10.4	23½– 8⅛	10¾	3.5	37	1.51	7	0.40	3.7
857	680	Niagara Mohawk Power	–10.6	17¼–10½	11⅝	72.8	846	1.78	7	1.52	13.1
858	770	N Y State Elec & Gas	–10.6	21¾–13⅛	14⅜	28.9	415	2.81	5	1.88	13.1
859	766	Sybron	–10.7	24¾–12	14⅝	9.5	140	2.27	6	1.08	7.4
860	916	Jefferson-Pilot	–11.4	38 –22⅞	24⅜	21.9	534	4.35	6	1.40	5.7
861	536	Consumers Power	–11.8	25⅞–15½	16¾	57.2	958	2.67	6	2.36	14.1
862	725	Sunbeam	–12.1	28¼–12⅝	18¼	15.1	275	3.20	6	1.50	8.2
863	619	Petrie Stores	–12.1	49⅜–23¼	30⅞	13.6	419	3.40	9	1.75	5.7
864	969	Inco	–12.4	37 –13⅜	22⅛	75.7	1,675	3.00	7	0.72	3.3
865	985	Intl Flavors & Frag	–12.5	28⅜–16⅜	21	36.6	769	1.78	12	0.92	4.4
866	689	Hobart	–12.6	28 –12½	19	11.4	217	2.74	7	1.32	6.9
867	859	Harris Bankcorp	–12.7	39⅛–22½	23⅛	6.8	157	5.02	5	2.00	8.6
868	838	Kellogg	–12.8	28¼–15⅝	18¾	76.4	1,433	2.35	8	1.40	7.5
869	774	Pittston	–12.8	47 –16	26½	37.8	1,002	2.01	13	1.20	4.5
870	776	Maytag	–13.0	39 –21½	27⅝	13.3	368	3.02	9	2.10	7.6
871	856	Longs Drug Stores	–13.1	41½–20⅝	29¾	10.6	314	2.71	11	0.84	2.8
872	525	Gino's	–13.2	18 – 6¼	9⅞	2.7	26	–0.77	def	0.44	4.5
873	1008	A H Robins	–13.3	14¼– 6⅝	9¾	25.1	245	1.92	5	0.40	4.1
874	949	Economics Laboratory	–13.5	31⅝–16	21⅝	13.5	292	2.26	10	1.04	4.8
875	684	Clorox	–13.5	15⅞– 7⅞	10⅜	23.0	239	1.50	7	0.80	7.7
876	744	Monsanto	–13.6	100 –42¼	66	36.0	2,377	6.28	11	3.60	5.5
877	670	So Carolina E & G	–13.7	21 –12	14⅛	25.9	365	2.10	7	1.74	12.3
878	631	Carolina Pwr & Lt	–13.8	25⅜–14⅞	17¼	51.0	880	2.35	7	2.24	13.0
879	511	Jonathan Logan	–13.8	18¾– 6½	10⅞	5.2	56	–6.59	def	0.60	5.5
880	979	Bethlehem Steel	–14.1	48 –18¼	28¼	43.7	1,234	2.37	12	1.60	5.7
881	655	Detroit Edison	–14.2	18 –10⅞	11⅜	80.8	919	1.64	7	1.60	14.1
881	1013	Kerr Glass Mfg	–14.2	22 – 8½	11⅜	4.0	45	1.78	6	0.44	3.9
883	954	Zenith Radio	–14.3	40⅝– 7⅞	20¼	18.8	381	1.47	14	0.60	3.0
884	813	Polaroid	–14.5	60¼–19	26½	32.9	871	2.50	11	1.00	3.8
885	855	Pa Power & Light	–14.6	25⅛–14½	16⅞	44.9	758	2.71	6	2.12	12.6
886	803	Boston Edison	–14.7	28⅜–18⅝	19⅝	13.7	269	3.53	6	2.80	14.3
887	663	Duke Power	–14.7	23½–13¾	16⅝	84.5	1,405	3.07	5	2.04	12.3
888	777	Western Air Lines	–14.9	14⅝– 6	7⅞	13.0	103	–1.13	def	none	0.0
889	821	Union Electric	–15.0	16¾– 9¾	11⅜	59.5	677	2.25	5	1.52	13.4
890	975	American Home Products	–15.0	37¾–21⅜	28⅜	156.0	4,426	2.75	10	1.80	6.3
891	933	Gillette	–15.4	38⅞–17⅝	28¼	30.2	853	4.08	7	1.90	6.7
892	531	Stop & Shop	–15.4	20⅜–12½	14⅛	4.0	57	2.44	6	1.20	8.5
893	923	Gulf States Utils	–15.6	15⅜– 9	11½	46.2	531	2.28	5	1.48	12.9
894	811	Phila Electric	–15.8	21¼–11⅞	12⅝	90.7	1,145	1.96	6	1.80	14.3
895	606	Munford	–16.1	14¾– 5⅛	5⅞	2.2	13	0.39	15	none	0.0
896	951	Union Carbide	–16.2	76¾–33⅝	51¼	66.8	3,423	9.86	5	3.20	6.2
897	710	Northeast Utilities	–16.3	12⅜– 7⅝	8⅜	67.4	565	1.18	7	1.10	13.1
898	967	First Chicago	–16.6	25⅜–10¾	15⅛	39.7	601	1.74	9	1.20	7.9
899	982	Hercules	–16.8	38⅞–12¼	22⅞	42.4	971	2.49	9	1.20	5.2
900	980	Capital Holding	–17.2	26½–16	17½	27.9	488	3.14	6	1.08	6.2
901	921	Black & Decker	17.2	28¾–14¼	19¼	42.1	810	2.14	9	0.76	3.9
902	773	Carter Hawley Hale	–17.5	25¼–13¾	20⅝	25.2	520	2.57	8	1.16	5.6
903	964	J P Morgan	–17.5	64⅜–39⅝	44⅛	38.7	1,708	8.10	5	2.80	6.3
904	771	No States Power	–17.5	30½–18	21¾	29.3	638	2.93	7	2.42	11.1
905	850	General Mills	–17.6	35⅜–19	24⅝	50.3	1,240	3.40	7	1.48	6.0
906	966	Procter & Gamble	–17.8	100⅛–62¾	73⅛	82.7	6,049	7.88	9	3.80	5.2
907	833	Kansas City Pwr & Lt	–17.9	32⅜–18⅛	21¼	13.3	282	4.20	5	2.78	13.1
908	977	Carnation	–18.0	40⅜–21	28	37.3	1,045	4.10	7	1.66	5.9
909	963	Texas Utilities	–18.0	23⅜–14⅞	17⅛	94.2	1,613	2.94	6	1.76	10.3
910	1015	Skyline	–18.1	22⅛– 8½	13⅜	11.2	153	0.43	32	0.48	3.5

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def: deficit.

Who's where in the stock market

Rank 80	Rank 79	Company	5-year price change	1976-80 price range	Recent price	Shares outstanding (millions)	Total market value (millions)	Latest 12-month earnings per share	Price/earnings ratio	Indicated annual dividend	Current yield
911	927	Middle South Utils	–18.1%	17⅞–10¼	11⅞	106.1	$1,260	$2.03	6	$1.62	13.6%
912	995	Northwestern Steel	–18.1	38¾–22⅝	23⅛	7.5	174	2.55	9	1.20	5.2
913	804	Jim Walter	–18.2	44¼–23½	30⅜	16.3	496	4.30	7	1.90	6.3
914	713	Norton Simon	–18.3	23 –11	16⅞	48.0	810	2.48	7	1.08	6.4
915	972	Wachovia	–18.5‡	23 –15¼	17⅛	13.8	236	2.80	6	0.96	5.6
916	815	Central Ill Pub Svc	–18.6	16⅛–10	10⅜	28.9	299	1.68	6	1.40	13.5
917	842	Whirlpool	–18.8	34⅝–14⅜	21⅛	36.2	765	2.57	8	1.40	6.6
918	934	Chic Pneumatic Tool	–19.0	35⅝–16⅞	20⅝	4.9	101	1.90	11	2.00	9.6
919	978	Liberty Natl Life	–19.3	28¼–16⅜	17⅝	18.9	336	3.26	5	1.20	6.8
920	918	Cleveland Elec Illum	–19.3	23⅜–13½	14⅛	45.7	652	2.17	7	2.00	14.0
921	898	Public Service Colo	–19.5	20¼–11⅛	12⅞	39.5	508	1.76	7	1.60	12.4
922	952	Goodyear	–19.5	25¼–10¾	17½	71.8	1,256	2.38	7	1.30	7.4
923	831	Squibb	–19.6	39¼–21⅜	26⅝	48.5	1,297	2.66	10	1.20	4.5
924	524	Monfort of Colorado	–19.6	9¾– 3¼	5⅛	4.9	25	–4.82	def	none	0.0
925	870	Cincinnati G & E	–19.9	25⅞–14¾	15⅛	30.9	467	2.30	7	2.04	13.5
926	901	Louisville Gas & Elec	–20.3	27½–14½	18⅝	12.1	225	2.60	7	2.14	11.5
927	797	Kane-Miller	–20.6	13¼– 6½	7⅞	3.5	27	1.25	6	0.28	3.6
928	976	Anheuser-Busch Cos	–20.7	38⅝–17½	26⅝	45.2	1,209	3.65	7	1.08	4.0
929	464	American Motors	–20.9	9½– 3⅝	4¼	32.0	136	–4.88	def	none	0.0
930	642	General Motors	–21.0	78⅞–39½	45½	292.8	13,323	–1.40	def	2.40	5.3
931	795	Southern Company	–21.2	18 –10¼	11⅝	152.2	1,769	2.20	5	1.62	13.9
932	672	May Dept Stores	–21.3	36 –18	25	29.1	728	3.82	7	1.54	6.2
933	843	American Elec Power	–21.4	25¾–15¼	16½	144.6	2,385	2.42	7	2.26	13.7
934	965	Fedl Natl Mortgage	–21.7	19⅝–11½	11¾	58.9	692	0.86	14	0.64	5.4
935	778	Kentucky Utilities	–21.7	25¼–15	16¼	12.5	203	1.62	10	2.12	13.0
936	834	Pac Gamble Robinson	–21.8	26⅝–16½	18¼	1.9	35	2.77	7	1.60	8.8
937	807	Central Illinois Lt	–21.8	19¾–12½	13	10.8	141	2.07	6	1.70	13.1
938	746	Beatrice Foods	–21.8	28½–16½	18⅜	97.3	1,787	2.86	6	1.30	7.1
939	1021	Fidelcor	–22.0	26 – 8⅞	14⅝	4.9	72	1.73	8	0.48	3.3
940	763	McDonald's	–22.5	66 –36¼	45¼	40.2	1,818	5.29	9	0.80	1.8
941	784	Va Electric & Power	–22.7	15¾– 9⅛	10⅝	98.9	1,051	1.66	6	1.40	13.2
942	984	Avery International	–22.9	29⅛–12¼	21	9.0	189	2.40	9	0.72	3.4
943	814	Ohio Edison	–23.1	21½–10¼	12⅞	67.1	865	1.56	8	1.76	13.7
944	912	Portland Genl Elec	–23.5	21¼–10¾	12⅝	35.7	451	1.24	10	1.70	13.5
945	894	Dow Chemical	–23.9	57¼–22	34⅞	182.5	6,365	4.17	8	1.60	4.6
946	946	Inland Steel	–23.9	58⅝–26⅞	31	20.9	648	1.02	30	2.00	6.5
947	942	Goldblatt Brothers	–24.0	6½– 2	2⅜	3.0	7	–4.05	def	none	0.0
948	846	Allegheny Power	–24.3	22⅝–12½	14	40.0	560	2.24	6	1.80	12.9
949	1027	Adolph Coors	–24.5	29½– 9½	19¼	35.0	674	2.02	10	0.30	1.6
950	1029	Franklin Mint	–24.8	36¾– 5⅛	19	8.4	160	2.41	8	0.56	2.9
951	1004	Walter E Heller Intl	–24.9	34 –14	20	11.8	235	3.59	6	1.30	6.5
952	847	Coca-Cola	–24.9	47⅝–28⅞	30⅞	123.6	3,815	3.36	9	2.16	7.0
953	973	National Steel	–26.0	52¼–25⅝	28⅛	19.0	533	4.71	6	2.00	7.1
954	944	Fisher Foods	–26.2	15½– 5⅝	7¾	6.3	49	0.47	16	0.40	5.2
955	857	Duquesne Light	–26.2	21¼–12⅛	13	39.7	516	1.86	7	1.80	13.8
956	908	Burlington Inds	–26.6	34 –14¾	20⅜	28.1	573	2.90	7	1.40	6.9
957	924	Wisconsin Elec Power	–26.7	32¾–19	21¼	19.3	411	3.66	6	2.52	11.9
958	922	International Paper	–26.8	79¾–30½	42¼	49.2	2,080	5.24	8	2.40	5.7
959	868	Public Service Indiana	–26.9	31⅞–17⅝	19¼	33.6	647	3.43	6	2.48	12.9
960	1018	Uniroyal	–27.0	11¼– 3⅛	5⅜	26.6	153	–4.73	def	none	0.0
961	611	Collins & Aikman	–27.1	15⅛– 6¼	8¾	12.5	109	1.12	8	0.72	8.2
962	750	Royal Crown Cos	–27.2	23⅜–10⅝	12⅜	8.2	101	1.54	8	1.04	8.4
963	875	Champion Spark Plug	–27.4	14⅝– 7¾	8⅝	38.3	330	1.13	8	0.80	9.3
964	1007	Pabst Brewing	–27.5	34¾–10⅝	15½	8.2	127	1.37	11	0.40	2.6
965	957	Central & South West	–27.5	18⅛–11¼	12½	79.4	992	2.30	5	1.50	12.0
966	1024	Schering-Plough	–28.0	60¼–26¼	37⅞	53.1	2,010	4.58	8	1.60	4.2
967	960	Standard Brands	–28.3	40⅝–21¼	26	28.4	738	3.43	8	1.64	6.3
968	760	Hanna Mining	–28.5	60½–28⅝	32	8.9	285	5.14	6	2.00	6.3
969	736	UAL	–28.6	45¾–13½	20¼	29.5	598	–0.92	def	none	0.0
970	1010	Moore Corp	–29.7	50¾–23½	32⅞	28.0	921	3.77	9	1.64	5.0
971	996	Citicorp	–30.1	37⅝–17	20⅝	122.5	2,527	4.49	5	1.42	6.9
972	986	Eastman Kodak	–31.1	120¾–41⅛	73⅛	161.4	11,802	7.07	10	3.50	4.8
973	941	Lowe's Companies	–31.6	33⅝–13⅜	20¾	13.0	270	1.52	14	0.60	2.9
974	962	Chrysler	–32.1	22⅜– 5½	6⅞	67.0	460	–28.16	def	none	0.0
975	925	Safeway Stores	–32.3	50⅜–27½	30⅝	26.1	800	4.37	7	2.60	8.5

Note: Except as foothoted, price changes are measured from Dec. 31, 1975 to Nov. 19, 1980. For comparison, the five-year change in the Consumer Price Index was 52.7%.
‡Four-year price change because of spinoff of subsidiary in 1976. def: deficit.

Who's where in the stock market

Rank		Company	5-year price change	1976-80 price range	Recent price	Shares outstanding (millions)	Total market value (millions)	Latest 12-month earnings per share	Price/ earnings ratio	Indicated annual dividend	Current yield
80	79										
976	885	Dayton Power & Light	–32.4%	22⅝–12	12	27.0	$ 324	$1.89	6	$1.74	14.5%
977	961	Ralston Purina	–32.7	18¼– 9⅝	10⅝	107.9	1,147	1.51	7	0.64	6.0
978	929	Associated Dry Goods	–33.1	40 –15⅝	23	13.5	311	3.60	6	1.60	7.0
979	998	Food Fair	–33.3	7⅜– 1⅜	3	7.4	22	1.86	2	none	0.0
980	886	Toledo Edison	–33.9	27⅛–15¼	16⅛	20.0	323	2.53	6	2.20	13.6
981	900	Emery Air Freight	–34.2	28¾–12	15⅝	15.7	242	1.25	12	1.00	6.5
982	1001	Culbro	–34.6	23⅝– 6	9	3.2	29	–4.28	def	none	0.0
983	667	Westmoreland Coal	–34.6	65¼–17¾	26	6.8	177	–0.41	def	none	0.0
984	873	Ford Motor	–34.7	51⅞–21⅛	23	120.6	2,774	–10.55	def	1.20	5.2
985	882	Marshall Field	–34.8	35¼–12¾	15¼	10.3	156	1.47	10	1.24	8.1
986	914	ARA Services	–34.9	60⅝–24¾	31¼	12.2	380	5.33	6	1.94	6.2
987	902	Illinois Power	–35.1	28⅝–15¾	17⅜	33.3	578	2.95	6	2.38	13.7
988	781	Mercantile Stores	–35.2	64½–29⅝	34	5.9	200	6.22	5	1.50	4.4
989	896	CFS Continental	–35.5	18⅛– 6¼	10	5.3	53	1.60	6	0.40	4.0
990	872	Akzona	–35.7	25¾– 7¾	11½	12.2	141	0.80	14	0.80	7.0*
990	945	No Indiana Pub Svc	–35.7	21¼–10⅞	11½	40.6	467	1.47	8	1.50	13.0
992	745	Heublein	–36.4	59¼–22	29¾	21.3	635	3.74	8	1.82	6.1
993	889	Penn-Dixie Inds	–37.6	6½– 1¾	2½	5.3	13	–2.25	def	none	0.0
994	592	Bird & Son	–38.2	37⅛–15	17½	4.2	73	0.13	–	1.00	5.7
995	948	Commonwealth Edison	–38.4	32¾–17½	18⅝	97.4	1,815	2.53	7	2.60	14.0
996	1019	Keystone Consolidated	–38.6	22⅛– 7¼	10⅛	1.9	19	–5.81	def	none	0.0
997	509	Sheller-Globe	–38.7	15⅜– 4¾	6⅝	6.2	41	–0.85	def	0.30	4.5
998	1006	Armstrong World Inds	–39.2	32⅞–12⅜	14¾	24.7	365	1.96	8	1.10	7.5
999	732	Braniff Intl	–40.3	18⅝– 5¼	5⅜	20.0	108	–5.23	def	none	0.0
1000	968	Fleetwood Enterprises	–41.5	20⅜– 5⅛	8⅝	11.2	97	–1.01	def	0.52	6.0
1001	1030	Allied Supermarkets	–42.3	6 – ⅛	1⅞	5.2	10	0.40	5	none	0.0
1002	993	Oklahoma Gas & Elec	–43.3	23½–11½	12¾	30.5	388	1.56	8	1.60	12.5
1003	931	Burroughs	–43.6	108½–46¼	47¼	41.3	1,953	6.88	7	2.60	5.5
1004	935	Mohasco	–43.9	25 – 7	9⅛	6.6	60	0.50	18	none	0.0
1005	712	Olympia Brewing	–44.0	60¼–12¼	12⅞	2.6	33	1.22	11	0.90	7.0
1006	999	United States Steel	–44.3	59⅝–16¼	24⅛	87.5	2,111	–4.70	def	1.60	6.6
1007	907	K mart	–44.4	43¾–17⅝	18⅝	123.4	2,298	2.19	9	0.92	4.9
1008	930	Federated Dept Stores	–44.6	60 –21¼	29¼	48.4	1,416	5.38	5	1.80	6.2
1009	682	McLean Trucking	–44.7	28⅜– 7½	10⅛	5.6	57	–0.54	def	0.32	3.2
1010	992	Fed-Mart	–44.8	21 – 8	8	5.8	46	–2.10	def	none	0.0
1011	988	Colonial Penn Group	–45.9	38 –14¾	15½	16.1	250	3.75	4	1.40	9.0
1012	997	Warner-Lambert	–47.8	38½–17	19	79.7	1,513	1.90	10	1.32	6.9
1013	1023	Colgate-Palmolive	–48.3	31¼–11	14⅞	81.9	1,218	1.40	11	1.12	7.5
1014	899	Great Atl & Pac Tea	–49.4	15⅝– 4⅜	5⅜	37.4	201	–1.58	def	none	0.0
1015	989	Sears Roebuck	–50.0	39⅝–14⅞	16⅛	315.3	5,085	1.76	9	1.36	8.4
1016	439	Kuhn's-Big K Stores	–50.6	10⅝– 3	3¼	2.6	8	–0.75	def	none	0.0
1017	688	Commonwealth Oil Rfg	–50.7	19⅜– 1	4⅜	15.0	66	–2.83	def	none	0.0
1018	1022	Jos Schlitz Brewing	–52.3	24 – 5	9⅛	29.1	265	–0.69	def	none	0.0
1019	1012	Yellow Freight System	–52.9	45¾–12	16½	14.2	234	1.37	12	0.76	4.6
1020	1017	Firestone	–54.5	26 – 6⅛	10⅛	57.7	584	–1.70	def	none	0.0
1021	1002	J C Penney	–55.4	60¾–19⅜	22⅜	70.1	1,568	2.96	8	1.84	8.2
1022	937	Outboard Marine	–58.4	36½– 8⅞	11¾	8.4	98	0.28	42	0.70	6.0
1023	987	Sambo's Restaurants	–60.8	27 – 3½	5⅞	12.8	75	–3.38	def	none	0.0
1024	1020	McLouth Steel	–62.3	23¾– 5⅝	7⅛	5.5	39	–7.34	def	none	0.0
1025	1014	White Motor	–62.7	15⅜– 2⅝	2¾	9.4	26	–6.17	def	none	0.0
1026	1028	United Merch & Mfrs	–64.0	18⅛– 2½	5⅛	5.9	30	–4.79	def	none	0.0
1027	991	First Pennsylvania	–67.5	18⅞– 3⅞	4⅞	15.7	77	–7.66	def	none	0.0
1028	1011	General Public Utils	–75.0	21⅝– 3⅜	4¼	61.3	260	0.55	8	none	0.0
1029	1016	Massey-Ferguson	–76.5	32¼– 4⅞	4⅞	18.3	89	–7.58	def	none	0.0
†	391	American Financial		23⅝–19½	23⅝	8.7	205	1.99	12	0.50	2.1
†	93	Coastal Corp		44⅝–14¾	43¼	21.4	926	4.69	9	0.40	0.9
**	*	Cross & Trecker		38⅜– 9½	37⅜	12.4	466	2.70	14	0.64	1.7
**	*	CSX		46½–41⅛	45⅞	40.7	1,866	7.06	6	2.56	5.6
**	*	Dart & Kraft		45⅛–40⅛	42⅜	54.6	2,325	6.46	7	3.20	7.5
**	*	Federal Express		48¾– 6	46¼	18.3	844	2.05	23	none	0.0
**	*	First Natl Supermkts		14 – 3¾	6½	3.6	23	1.45	4	0.02	0.3
†	733	IU International		24⅞– 9⅝	22	18.4	404	5.99	4	1.10	5.0
†	63	MGM Grand Hotels		17⅜–12½	12⅞	32.5	419	1.05	12	0.44	3.4
**	*	Penn Central		41½–13⅞	39⅞	17.9	714	2.63	15	none	0.0
**	*	Toys "R" Us		35¼– 5⅜	29⅛	13.2	386	1.73	17	none	0.0
**	*	Valero Energy		41 –10⅛	39	22.3	869	1.85	21	0.20	0.5

Note: Except as footnoted, price changes are measured from Dec. 31, 1975 to Nov. 19, 1980. For comparison, the five-year change in the Consumer Price Index was 52.7%. *Not ranked last year. **Not ranked. †Recent price not comparable with historic price because of spinoff of subsidiary. def: deficit.